

**UNITED STATES AGENCY FOR
INTERNATIONAL DEVELOPMENT**

SOFIA, BULGARIA

FY 2001

RESULTS REVIEW

AND

RESOURCE REQUEST

(FOR THE PERIOD OCTOBER 1, 1998 - SEPTEMBER 30, 2001)

APRIL 1999

The attached results information is from the FY 2001 Results Review and Resource Request (R4) for Bulgaria, and has been assembled and analyzed by USAID/Bulgaria.

The R4 is a “pre-decisional” USAID document and does not reflect results stemming from USAID reviews. Additional information on the attached can be obtained from Clinton Doggett, ENI/PCS.

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MEMORANDUM

To: DAA/ENI John Tennant

From: John P. Grant, USAID/Bulgaria

Subject: USAID/Bulgaria FY 2001 R-4 Submission

Last year USAID/Bulgaria made excellent progress in implementing its new Country Strategy which was approved in February 1998. Bulgaria continued to make notable progress in macroeconomic stabilization, and in legislative and political reform for the second year after the political and economic crisis of late 1996/97. The USAID program was well-positioned to support the reform efforts of the Kostov government, and it met or exceeded most of the targets for its five strategic objectives and related intermediate results.

This R-4 reviews the 1998 program results in relation to the Mission's approved Results Framework, including subsequent modifications recommended by USAID/W as follow-up to the strategy review. It also presents program adjustments for FY 99 and lays out the Mission's proposed program plans and budget requests for FY 2000 and FY 2001 in accordance with the strategy. As part of the R-4 preparation process, USAID/Bulgaria held extensive consultations with its partners to analyze the data collected in relation to performance indicators, to assess progress over the last year, and to reassess prospects for future progress over the next two years. The results framework remains largely unchanged, though a few adjustments were made to IRs and sub-IRs for two of the strategic objectives, and to future year performance targets for some of the indicators (See narratives for SOs 2.1 and 2.2).

The USAID/Bulgaria program is now mature, with strong implementing partners in most areas, and excellent collaborative relations with the Government of Bulgaria and other donors, including the World Bank and IMF. Thus, overall prospects for continued strong program performance are excellent. The proposed program plans for FY 2000 and 2001 are carefully designed to advance the country strategy, and to respond to critical areas of need in Bulgaria's reform process. USAID/Bulgaria is well-positioned to make highly effective use of the \$29 million requested for FY 2000 and \$20 million for 2001. The Mission considers these levels to be the minimum needed for the achievement of its objectives.

As per agreement with USAID/W, the Mission has initiated a careful examination of the prospects for successful graduation of Bulgaria from USAID assistance by the 2002 target date established in the strategy. Though the new Mission Director was granted additional months to assess this question and to make a formal recommendation to AID/W by next October/November, the USAID/Mission and the U. S. Embassy already foresee the need to continue USAID assistance to Bulgaria until at least 2004/2005.

The judgement that more time is needed before graduation is based on several key factors documented in this R-4 submission. First, the escalating conflict in Serbia and Kosovo and the disruption in neighboring countries is dampening the country's growth prospects, and has markedly increased the U. S. national security interest in ensuring that

Bulgaria remain a stable anchor country in the region. It may also call for some adjustments to the country strategy, particularly if the economic effects are profound, or if numerous refugees cross Bulgaria's borders. Second, the pace of economic structural reforms in Bulgaria has slowed and is now at a critical crossroads. It will take longer for the country to meet key EU economic accession criteria. Third, it is now apparent that key elements of the Mission's graduation strategy, such as building sustainable intermediate support organizations, will require more time than originally thought.

If USAID/Washington agrees that a longer time frame is now appropriate, the Mission proposes to submit a strategy update through 2004/2005 and a close-out plan in the spring of FY 2000, with its FY 2002 R-4. The coming year would be utilized to factor in any strategic adjustments needed in light of the evolving crisis in the region, to set clear graduation targets linked to key EU accession requirements, to work on the design of appropriate post-presence mechanisms, and to apply ENI Bureau "lessons in transition" to graduation planning for the Bulgaria program.

Finally, there are two key issues that need to be addressed with USAID/W in order to ensure successful management of the USAID/Bulgaria Program:

OE Levels and Funds for Training: The Mission urgently requires an increase in its FY 99 OE levels from \$800,000 to \$860,000, and needs higher OE levels of \$870,000 for FY 2000 and FY 2001. The need for additional 99 OE funding is due in part to more than \$50,000 in unforeseen, but required, costs for the USDH staff. There is also a need for modest increase in workforce levels, with accompanying costs for office rent and long overdue renovation. Another critical reason for increased OE levels for all three years is to provide vital training for the staff. Three quarters of the USDH and FSN staff in the Mission have turned over in the last two years, and many of the FSN staff have also taken on new management responsibilities. Training is needed not only to increase staff effectiveness, but also to address current material weaknesses in Mission management. Even at the request levels Bulgaria would maintain the lowest OE-to-program funding ratios in the Bureau. The Mission requests a firm decision on the requested FY 99 OE level by April 30 (See OE Budget Narrative).

Staffing: In FY 97 USAID Bulgaria began a process of staff downsizing, in anticipation of the eventual phasing down and out of the program. Two key senior USDH staff, the EXO and Program Officer, retired and were replaced with existing FSN staff who now shoulder a substantially increased workload. Further decreases were envisioned with the departure of the senior private sector officer in 2001. With current projections to maintain substantial program levels, it is vital that Mission sustain its current 4 USDH positions beyond 2001 and reinforce the FSN staff. The Mission requests approval to hire an OE-funded FSN deputy program officer in the fourth quarter of FY 99, and plans to hire an additional program funded specialist in the Democracy/Governance Office (See OE and Workforce Narrative).

cc. Clinton Doggett

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PART I: OVERVIEW AND FACTORS AFFECTING PROGRAM PERFORMANCE

1. Political, Economic and Social Changes and Trends

In 1998, the Kostov government continued its ambitious economic and social reform program. For the second year since Bulgaria's serious political and economic crisis in the winter of 1996-1997, macroeconomic conditions improved remarkably, and the country achieved macroeconomic stabilization. The Currency Board Arrangement (CBA), which is central to the stabilization program, was highly successful in holding inflation in check at about 1% -- down from 400% two years before. Sound fiscal policies led to a modest budget surplus, in sharp contrast to the deficits in prior years, and foreign currency reserves approached \$3 billion. The economy rebounded and GDP grew by an estimated 4%, with the private sector's share increasing to 65%.

A number of impressive accomplishments have also been made with respect to legislative reform, where the Government was spurred to align Bulgarian legislation with EU accession requirements. This has included diverse legislation ranging from reforms in the penal code and anticorruption rules, to reforms in the telecommunications, public administration, health and agricultural sectors.

In spite of these impressive achievements, there are still real areas of concern. Principal among these is the slow pace of the Government's ambitious structural reform program, particularly the vital privatization process. The sale of major loss-making state-owned enterprises has fallen far short of expectations. The Government's original target was to privatize 50% of state owned enterprise assets by the end of 1998, yet less than 29% was actually achieved. In 1998 privatization proceeds fell to half of the 1997 level, and if this trend continues in 1999, budget and balance of payment pressures will mount.

A second area of concern was a slowing of Bulgaria's economic recovery in the second half of 1998. This was due in part to the international financial crisis which suppressed prices and foreign demand for Bulgarian exports (chemicals, fertilizers and metals), and discouraged investment in emerging markets. Bulgaria's industrial sector was particularly hard hit, and industrial sales declined by more than 9%. Bulgaria's unemployment rate increased in the final months of the year, from a low of 10.7% in September to 12.2% in December. In the shadow of regional economic contagion, it will be difficult for Bulgaria to restructure and generate growth in the near term, and this may delay the commencement of EU accession talks, which were originally hoped to begin in 2001.

Although wages and purchasing power rose for some groups last year, there is new evidence that poverty is a serious problem in Bulgaria. The 1999 World Bank Bulgaria Poverty Report found that the percentage of the population in poverty, denominated in terms of per capita consumption, soared from 5.5% to 36.0% between 1995 and 1997. Most of this population lives on less than a dollar a day and spends more than 70% of household income on food. Equally disconcerting was the finding that income disparities have sharply increased. The top 30% of the population saw significant increases in their incomes over this period, while the bottom 60% saw their incomes decline. Unfortunately, as the report points out, growing inequality is also likely to limit the poverty reduction impact of future growth.

The Kostov Government is scheduled to remain in power for another two years, and remains committed to reform. Yet, it faces major challenges in the period ahead. A lack of impact on the daily life of the average Bulgarian citizen is eroding the public's support for the reform process. A USAID-commissioned public opinion survey in December 1998, found the public almost equally divided between those who thought the direction of economic development in Bulgaria was right and those who thought it was not. Many of the most difficult steps in the structural reform process still lie ahead, including the privatization of some of the largest state-owned enterprises with concomitant layoffs of thousands of workers. While the country has made excellent progress in meeting many of the political criteria for accession to the EU, there is still a long road to travel with respect to the economic criteria. The growing conflict in the region will pose additional challenges to economic and social reform. The Government of Bulgaria is counting on the sustained support of USAID and the other donors at this critical juncture to help it see the reform process through to a successful conclusion.

2. USAID Program Strategy and the U.S. National Interest

USAID/Bulgaria's country strategy, adopted in early 1998, is designed to accelerate the country's transition to a market-oriented democracy, to assist Bulgaria to meet key EU accession criteria, and to "graduate" the country from U. S. assistance. Two broad goals are the twin pillars of the USAID/Bulgaria program – "fostering the emergence of a competitive, market-oriented economy," and "supporting the transition to transparent and accountable governance and the empowerment of citizens through democratic political processes."

The USAID/Bulgaria strategy is central to the U. S. Embassy Mission Program Plan (MPP), which identifies National Security as the overwhelming U. S. national interest in Bulgaria and defines Regional Stability as a key strategic goal. With the escalating conflict in neighboring states such as Serbia and Kosovo, and the flood of refugees in the region, the U. S. interest in assuring the economic and political stability of Bulgaria as a key front-line state is particularly acute. USAID/Bulgaria's program contributes directly to two of the central "Mission Goals" of the MPP – broad-based economic development (ED) and democracy (DE). It also supports four other goals: regional stability, U. S. exports, international crime, and environment. There is an excellent fit between USAID/Bulgaria's strategic objectives, intermediate results and indicators, and the U. S. Mission strategy, many of which will be incorporated in the revised MPP to be submitted to Washington on April 15.

3. Summary Progress in Implementing the Approved Strategic Plan

USAID/Bulgaria made excellent progress in implementing the approved country strategy in 1998. Particularly strong progress was realized in the two strategic objectives linked to the economic restructuring goal, where the Mission either met or exceeded its key targets. For example, the proportion of GDP provided by the private sector jumped from 55% in 1997 to 65% in 1998, exceeding the Mission's target of 62% (SO 1.3). Key targets were also exceeded relating to the development of a private banking system and increasing stock market capitalization (SO 1.4). Strong performance can be attributed to committed host-country counterparts and competent project implementors, as well as positive trends in the economy.

Healthy overall progress was also realized towards the democracy goal, though progress in some areas was slower than anticipated. Under SO 2.1, citizens' participation, progress was made in the ENI NGO Sustainability Index, and Bulgaria's rating improved from 4 in 1997 to 3.6 in 1998 (with 1 as the optimal rating). Yet, progress towards a new NGO law remained slow, and the transition from direct grants to NGOs, to support through NGO support-organizations has taken longer than expected. Under the new objective of strengthening the judicial system (SO 2.2), the complex task of assessing the sector and designing a new program took longer than anticipated. But important progress has recently been achieved in establishing a legal entity to administer the planned judicial training institute. Good progress has been made in the Mission's mature local-government strengthening program (SO 2.3). A baseline survey of citizen satisfaction indicated that municipalities that received USAID support were considered to be slightly more effective and accountable than those that did not.

In 1998, notable results were achieved in improving the legal and regulatory framework in Bulgaria. This is a cross-cutting theme and a core element of four of five of the Mission's SOs. For example, USAID advisors played a critical role in drafting the approved national SME Strategy, the SME Law, and two of the three draft NGO laws that will be used to craft compromise legislation. USAID, through primarily host-country partners, assisted in drafting or amending twenty laws which were presented to Government, or directly to Parliament, after public comment and review.

A critical cross-cutting element of USAID/Bulgaria's new strategy, which is now producing results, is the strengthening of indigenous Intermediate Support Organizations (ISOs). The 30 business associations supported by the FLAG consortium have all increased revenues from dues and services, and increased their fee-paying memberships. Under the democracy program, media associations and coalitions have advocated for passage of improved legislation and are providing increased services to their members. In the area of local governance, the National Association of Regional Municipalities in Bulgaria (NARMB) and the Foundation for Local Government Reform (FLGR) are important forces in advocating for local government reform, in strengthening a network of associations, and in establishing public-private partnerships.

4. Prospects through Fiscal Year 2001

USAID/Bulgaria's prospects for continued progress towards all five of its strategic objectives over the next two years are excellent. The USAID program in Bulgaria is now mature, with a solid track record and strong implementing partners in most areas. The Mission has also developed excellent collaborative working relationships with its government counterparts and other donors in each of its strategic objective areas. The Mission will remain responsive and flexible in working with its development partners and will seek to strengthen existing relationships in order to maximize the impact of its programs.

The rate of progress towards the objectives in some sectors will depend on a wide range of external factors including: foreign investment, regional demand for Bulgarian exports, the stability of government and NGO partners and related social and economic developments in the country. In preparing this R-4, performance targets and time frames were reviewed. In several instances, such as civil society development and strengthening the judicial system, it is clear that more time is required for the Mission to achieve its objectives (see narratives for SOs 2.1 and 2.3).

Over the next two years, USAID/Bulgaria will intensify the two major, complementary thrusts of the country strategy: a broad-based, bottom-up emphasis centered at the municipal and regional levels; and strategic interventions for reform at the national level. We will continue to give strong emphasis to the three traditional pillars of the program: growth of the private sector thus ensuring the transition to a market-based economy (SO 1.3); effective, responsive and accountable local governments (SO 2.3); and active citizen participation in public policy decision-making (SO 2.1). Building on the Mission's New Partnerships Initiative (NPI) approach, we will maximize the linkages and synergy across these three sectors and strengthen partnerships among private businesses, municipal governments, and NGOs to promote economic development at the local and regional level. Intensified development of Intermediate Support Organizations (ISOs) will continue to be a focal point of our activities to ensure the sustainability of Bulgarian reforms.

At the national level USAID/Bulgaria will leverage the GOB's commitment to economic and democratic reforms through increased engagement with the central authorities, and continued focus on capital markets and banking reform (SO1.4), and judicial reform (SO 2.2). The new judicial reform program, through which the Mission will work closely with the GOB and other donors to improve the administration of justice in Bulgaria, will be an especially high priority. Judicial reform is a prerequisite to EU accession, and is vital to increased foreign direct investment in Bulgaria. This will be complemented by the exciting Coalition 2000 anti-corruption program, which has made significant headway in 1998. USAID's anti-corruption efforts have implications for the entire portfolio and are a Mission priority.

Given the dynamic environment in the country, the Mission will continue to identify important niches where its cooperation is sought, and where there are opportunities for unusual impact. Two important examples are pension reform and municipal energy efficiency, which the Mission will expand with FY 99 and FY 2000 performance funds. Another is the new Presidential Initiative on Internet, which will enhance USAID/Bulgaria's implementation of its long-term strategy to develop Bulgarian ISOs, improve national and local government responsiveness to its citizens, and facilitate Bulgaria's integration into the global marketplace.

5. Graduation Prospects

While the prospects for Bulgaria's graduation hinge on many factors, the Mission foresees the need for a continued USAID program in Bulgaria through at least 2004/2005, for several reasons. With the growing instability and conflict in the region, the U.S. national security interest in ensuring a strong and stable Bulgaria has increased. Regional instability threatens Bulgaria's ability to attract the foreign private investment that is critical to its economic reform and development. Without increased levels of FDI, Bulgaria will find it difficult to proceed with structural reforms and necessary for growth. While Bulgaria still has a long way to go with political and economic reforms, it is arguably the most stable country of the Balkans. It is critical that the U.S. sustain its commitment to ensuring that it remains as a stable anchor in the region.

USAID has linked its graduation strategy to helping Bulgaria meet the criteria for EU accession, yet the time frame for that process has been extended considerably, with the accession of the first tier of countries postponed to 2005/2006. With a per capita income less

than 1/3 that of Poland, and large pockets of extreme poverty, it is evident that Bulgaria has an enormous challenge ahead to meet the EU's economic accession criteria. It is also becoming increasingly clear that USAID will need to sustain its active role beyond 2002 in complex reform areas such as strengthening the judicial system in order to ensure the success of these reforms. Further, while the Mission strategy of creating sustainable intermediary support organizations is viable, it is already evident that in sectors such as civil society this process will take longer than originally anticipated. Finally, USAID is viewed by the Government and other major donors as a flexible and highly responsive partner, and the GOB will certainly continue to turn to USAID for timely and effective responses to issues that are critical to the success of its reform process.

Part II

RESULTS REVIEW BY STRATEGIC OBJECTIVE

SO 1.3: Accelerated Development and Growth of Private Enterprises in a Competitive Environment

A. Summary of SO and Key Intermediate Results:

Strategic Objective 1.3 is creating a vibrant private sector, supported by a functioning policy and regulatory framework. The USAID/Bulgaria strategy develops strong and sustainable ISO's, such as business, trade and professional associations, which support the growth of member firms, and provide business services sustainably. Second, it addresses the need for an improved legal and policy framework as the basis for sustained economic growth and competitiveness. This SO supports the accession of Bulgaria to the EU through these activities, and meets short-term priorities of job creation and economic growth, by focusing on increasing the competitiveness of micro, small and medium enterprises.

SO 1.3 will be achieved through two principal intermediate results. **IR 1.3.1**, "*Development of Laws, Policies, Regulations and Institutions which Enable Private Sector Growth*" seeks to improve policy and legal frameworks which are necessary for private sector growth. **IR 1.3.2**, "*Private Sector Business Support Associations and Institutions Strengthened*," addresses the mission's shift in emphasis from firm-level assistance to increased support for intermediate support organizations (ISOs), which will be the means to provide business services and advocacy sustainably. A lower level result, **IR 1.3.2.1**, "*Improved Business Performance of Private Sector Association Members*," will provide the structure for ongoing technical assistance and support delivered to enterprises either directly, or through ISOs. Together, activities implemented under these intermediate results will contribute to the development of a strong, competitive market oriented economy, and contribute directly to the Strategic Objective, results for which are denominated in terms of increased private sector share of GDP and increased exports. Progress in privatization is now tracked under SO 1.4 where USAID is providing assistance to the GOB in bank privatization.

B. Performance Analysis:

1. Summary performance statement:

Performance under this SO has exceeded expectations. The private sector share of GDP grew from 55% in 1997 to 65% in 1998, exceeding the target by 3%. Technical assistance in operations, management and marketing created close to 4,500 new jobs. Business associations increased advocacy activities, and participated in drafting and presenting 12 business-related laws to Parliament. Among these, the participatory process by which the National SME Policy and Law were developed is emblematic of the influence associations now have on policy and law. Another example is the very important Grain Trade and Storage Act that was ratified after significant input from grain sector interests, and is now the basis for USAID's Grain Industry Development Program. A few indicators, such as increased exports, fell short of expectations, with target firms registering a 13% increase in exports against a target of 15%. Yet, USAID-assisted firms and association-members managed to increase revenues, exports and employment, in an environment of regional and worldwide economic slowdown.

2. Performance over the past year relative to plans:

Under its private sector objective, USAID/Bulgaria made significant gains in strengthening business support associations, organizations and ISOs, and in providing ongoing assistance to enterprises. Institutional development of associations increased their level of advocacy for improved legal and policy frameworks. The Mission has played a central role in coordinating

donors' SME-related activities, particularly in areas of policy and technical assistance, and this leveraging has contributed to USAID's success in this area.

Legal and Policy Reform

Two core activities support IR 1.3.1. First, ABA/CEELI has played a significant role over the past year, not only in meeting its objectives for providing valuable input into the legislative drafting process and the design of national policies, but also in the development of judicial training modules. For example, its bankruptcy workbook and training modules were disseminated nationally and universally applauded. ABA/CEELI is also working with local counterparts to develop an Alternative Dispute Resolution framework to address the critical need for contract enforcement in the face of a still unresponsive judiciary system. Second, the Implementing Policy Change (IPC) project, developed a transparent and participatory process for vetting the National Small and Medium Sized Enterprise Strategy and Law. This experience created a model for public participation in the formulation of policy that may be replicated throughout the Bulgarian Government. IPC also contributed significantly to several crosscutting initiatives, most importantly by assisting with public education campaigns for the Pension Reform, Bank Restructuring, and Capital Markets activities under SO 1.4.

USAID/Bulgaria is a major actor in promoting public participation in policy reform. Other donors, though working on policy reform, are not working to increase the level of public participation in the legislative process, or to improve the policy and regulatory framework at the firm level.

Association Strengthening and Firm Level Assistance:

The Firm Level Assistance Group (FLAG) activity has produced significant results in implementing IR 1.3.2. With FLAG assistance, association membership expanded 20.2% against a target of 15%, and targeted consulting firms' revenues increased by almost 25%: 5% more than target. Efficiency in target firms increased with sales per employee rising 8.3%, in excess of target. This result is even more commendable given that Bulgaria's per capita sales decreased 9% over the same period with retail and consumer-goods sales falling 12%. In addition to activities under this SO, FLAG also supported results under SO 1.4 where its commercial banker training and broker/dealer training contributed to strengthening Bulgaria's financial sector.

A highlight of 1998 was the successful launch of the Grain Industry Development Program (GIDP) in coordination with the Bulgarian Ministry of Agriculture, Forestry and Agrarian Reform, other U.S. agencies and multi-lateral donors. Under the GIDP, grain producers, bankers, traders, warehousemen, insurance companies, government agencies and other interested parties have been trained to make loans against grain held as collateral. Although seemingly simple, significant effort was required to create and implement the enabling legislation. By year-end 1998, warehouses had been inspected and bonded, grain had been stored, and several loans had been extended to farmers desperate for working capital. USAID assistance was also critical for the 600-member Federation of Bread Producers and Confectioners which improved its planning capacity and quality control after receiving FLAG training. As a result, revenues from dues and services increased 20%, and provide important barometer of the association's ability to grow sustainably.

Debt and Equity Finance

Businesses at all levels of the Bulgarian economy face significant difficulties in securing debt and equity finance to grow and prosper. The CARESBAC/SEAF activity continues to break

ground in Bulgaria by making equity investments in SMEs. CARESBAC made almost \$2 million in new investment in Bulgarian firms. Its investments generated almost \$13 million in revenues and created 220 new jobs, significantly exceeding its target of 100 jobs created.

Energy Efficiency and Reform

The Mission has invested heavily in energy sector reform and has met its target under **IR 1.3.1.1**: An energy sector strategy was drafted and approved. Based upon this strategy, an energy law was drafted, though it has met continued and protracted resistance, and has not yet been ratified despite more than 18 months of debate. Energy has been a challenging sector for the Mission as GOB commitment has been, and continues to be, inconsistent. Despite the lack of success in energy reform and regulation, the Mission conducted two very successful pilot energy efficiency activities in hospitals in Gabrovo and Stara Zagora. These pilots clearly illustrate that significant gains can be realized from relatively small investments in energy efficiency. Based upon the success of these pilots which reduced the hospitals' heating costs by 40% during the winter season, more than a dozen of the 31 member-municipalities in the Municipal Energy Efficiency Network created under the project, have expressed interest and commitment to adopting similar technologies.

C. Anticipated Progress Through 2001, Plans, and Possible Adjustments to Increase Impact:

Progress under this SO should be excellent over the next two years, though the continuing economic crisis in Asia, Russia, and Latin America, and the regional conflict in Southeast Europe are a major concern. The small size of the Bulgarian economy and shallow domestic demand necessitates that firms look to the regional market to generate growth. Therefore, regional economic slowdown and political tensions in the Balkans will inevitably put a brake on GDP and export growth in 1999 and 2000. Consequently, the mission has revised export growth targets down, and over the next two years, effort will increase in supporting more and stronger regional linkages, and the ability of Bulgarian business to compete in the global marketplace.

At present, the slow pace of energy sector reform raises significant concern regarding the effectiveness of USAID assistance in this area. Any further involvement in reform and restructuring must be predicated upon real and substantive indication of GOB commitment to rapid and broad change which has been largely absent thus far. Based, however, upon significant local-level success, the Mission will expand its energy efficiency program. Pilot activities in Gabrovo and Stara Zagora indicate that additional resources could be utilized productively in the area of energy efficiency. Second stage activities will focus on increasing the capacity of the private sector to provide and finance energy efficiency services for municipal energy efficiency projects. Ancillary benefits of this activity include increased support for municipal fiscal decentralization and for reduced greenhouse gas emission, thus supporting the Vice President's global climate change initiative.

Stemming from broad donor interest and activity in SME development, the Mission proposed the formation of a donor-working group which it now co-chairs with the EU PHARE. The Mission will continue to examine ways to increase the level of financial intermediation and increase the availability of financial instruments in Bulgaria, particularly in light of recent findings about increased poverty and income disparities in the country. The Mission has identified a significant need for microfinance in Bulgaria. Microfinance plays an important role in creating new opportunities for micro-enterprise development and job creation for low-

income segments of the population. USAID/Bulgaria is currently considering two microfinance activities: one through the Nachala Foundation run by Opportunity International that has a small but growing loan portfolio; the other through the World Council of Credit Unions (WOCCU) which has presented a proposal to the Mission, developed under a grant from BHR.

As the development of sustainable ISO's has not occurred on as broad a basis as anticipated, and has moved more slowly than planned, the development of a diverse group of sustainable ISOs, as envisaged in the Mission strategy, should logically be programmed on a longer timeframe.

D. Performance Data Tables

Strategic Objective1.3.: Accelerated Development and Growth of Private Enterprises in a Competitive Environment			
APPROVED: 02/1998		COUNTRY/ORGANIZATION: USAID/Bulgaria	
RESULT NAME: SO 1.3. Accelerated Development and Growth of Private Enterprises in a Competitive Environment			
INDICATOR: Private Sector Share of GDP			
UNIT OF MEASURE: Annual Percentage	YEAR	PLANNED	ACTUAL
SOURCE: National Statistical Institute; BAS; IMF; WB reports	1997	45%	55%
	1998	62%	65%
INDICATOR DESCRIPTION: Proportion of GDP provided by private sector	1999	66%	
	2000	70%	
COMMENTS: As financial stabilization and privatization continue, the number of private sector firms demanding services will increase. USAID programs target both private and privatized firms through technical assistance delivered directly and by associations, ISOs and consulting firms	2001	75%	
	2002	80%	

Strategic Objective1.3.: Accelerated Development and Growth of Private Enterprises in a Competitive Environment			
APPROVED: 02/1998		COUNTRY/ORGANIZATION: USAID/Bulgaria	
RESULT NAME: IR 1.3.1. Development of Laws, Policies Regulations & Institutions Which Enable Private Sector Growth			
INDICATOR: Laws, Regulations and Policies Amended, Drafted or Reviewed by Private Sector Interests and Presented to Parliament			
UNIT OF MEASURE: Number	YEAR	PLANNED	ACTUAL
SOURCE: National Assembly; IPC; ABA/CEELI; GOB	1997	10	10
INDICATOR DESCRIPTION: The number of laws, regulations or policies amended, drafted or reviewed by private sector interests and presented to Parliament.	1998	12	12
COMMENTS: In FY 1998, USAID-supported associations, ISOs and other private sector institutions that influenced an impressive docket of legislation and policy. Some of the most important legislation includes: the Grain Law, Amendments to the Insurance Act, Land Lease Act, Amendments to the Corporate Profit Tax Act, Amendments to the Income Tax Act, Amendments to the Act on Local Taxes and Fees, Amendments to the Foreign Investment Act, Act on Normative Acts, Amendments to the Act on Fees on Liquid Fuels and Medical Establishments, Securities Act and etc.	1999	18	
	2000	20	
	2001	25	
	2002	25	

Strategic Objective1.3.: Accelerated Development and Growth of Private Enterprises in a Competitive Environment			
APPROVED: 04/1998		COUNTRY/ORGANIZATION: USAID/Bulgaria	
RESULT NAME: IR 1.3.2. Private Sector Business Support Associations & Institutions Strengthened			
INDICATOR: Increase in Fee-Paying Members of assisted Associations/ISOs			
UNIT OF MEASURE: Annual Percentage	YEAR	PLANNED	ACTUAL
SOURCE: FLAG activity reports; Business Associations reports and surveys	1997	10%	20%
	1998	15%	15%
INDICATOR DESCRIPTION: Measure of the increase in breadth of representation	1999	15%	
	2000	15%	
COMMENTS: USAID has historically assisted associations, and in the future will increase efforts in order to assure the quality and sustainability of services. Membership is expected to increase 15% over each of the next 5 years and will reflect increased service provision and increased capacity to generate revenues and thus sustainability.	2001	15%	
	2002	15%	

Strategic Objective1.3.: Accelerated Development and Growth of Private Enterprises in a Competitive Environment			
APPROVED: 04/1998		COUNTRY/ORGANIZATION: USAID/Bulgaria	
RESULT NAME: IR 1.3.2.1. Improved Business Performance of Private Sector Association Members			
INDICATOR: Increase in Exports of Targeted Firms			
UNIT OF MEASURE: Percent increase in the value of exports of target firms SOURCE: Reports of USAID Assisted Firms, USAID Survey INDICATOR DESCRIPTION: Annual percent increase COMMENTS:. This new indicator was established in early 1998 as a measure of competitiveness of assisted firms. Based upon exogenous political and economic events, export growth lagged its target in 1998. Because of ongoing economic crises, and heightening regional tensions, annual export growth targets have been revised down for FY 1999 and 2000.	YEAR	PLANNED	ACTUAL
	1997	N/A	N/A
	1998	15%	13%
	1999	10%	
	2000	12.5%	
	2001	15%	
	2002	15%	

SO 1.4: A More Competitive and Market Responsive Private Financial Sector

A. Summary of SO and Key Intermediate Results:

Strategic Objective 1.4 seeks to create stable, efficient and regulated financial markets and institutions, which support broad-based economic growth. Financial sector stability, based upon public confidence and trust, contributes directly to U.S. foreign policy interests by promoting economic and political stability in Bulgaria and within the region. Most of the current activities in this area were conceived in response to the economic crisis that Bulgaria weathered in late 1996 and early 1997. Beneficiaries of **SO 1.4** programs include all those participating in or dependent upon the financial system, including bank depositors or borrowers, equity investors and investees, and pensioners.

SO 1.4 will be achieved through three key intermediate results: **IR 1.4.1** “*Bank Restructuring and Reform*”; **IR 1.4.2** “*Capital Markets Development*”; and **IR 1.4.3** “*Public and Private Pension System Reform*.” USAID/Bulgaria’s banking activities seek to establish a sound, regulated and efficient banking system based on increased private sector financial intermediation, and strengthened banking institutions. The capital markets project supports the establishment of a well-regulated, transparent and liquid securities market by strengthening market institutions and by promoting broad public participation. The reform of the public pension system and the establishment of a private pension system will support and secure retirement incomes, and will strengthen financial sector institutions.

C. Performance analysis

1. Summary Performance Statement

During the period of performance, each activity exceeded expectations in its SO and IR-level indicators. At the SO level, private bank assets totaled 44%, against a 40% target, due to the sale of two state banks, and the licensing of new private banks. Market capitalization on the Bulgarian Stock Exchange/Sofia (BSE/S) hit 7% of GDP, surpassing the 5% target. This is a commendable accomplishment after a single year of operation, and this indicator provides a valuable barometer of increasing market breadth and depth. Past due loans fell to 11.7% of total credit, well below the 20% expected, reflecting a significant improvement in the health and stability of the banking system. USAID has assumed a leadership role among the donor community in the area of bank restructuring and regulation, and is relied upon by the GOB to play an ongoing and important role in the sector.

2. Performance over the past year relative to plans

Bank Restructuring and Reform

Under **IR 1.4.1**, Bank Restructuring and Reform, USAID/Bulgaria implements three activities: Privatization, Supervision and Training, each of which exceeded expectations.

Bank Privatization: With the help of USAID advisors, the Bank Consolidation Company (BCC) implemented an aggressive privatization strategy conceived in conjunction with USAID, the World Bank, and the IMF. Under this program, two banks were sold in less than a year. Most recently, in November 1998, the State sold its 78.23% share of Post Bank to an American-led consortium. USAID-support, through its contractor, Barents Group, was instrumental in marketing this deal and in structuring the sale. Three of the remaining four state banks have already been tendered, and one sale is expected to close in 1999, per IMF conditionally. EU-PHARE is also involved in bank privatization through advisory work to

individual banks, while USAID has provided assistance to the BCC on overall bank privatization strategy.

Bank Supervision: Barents Group has contributed significantly to strengthening the Bulgarian National Bank (BNB) Bank Supervision Department (BSD) in conducting on-site bank examinations. The team, which includes former senior FDIC officials, is preparing an examination procedure manual. In 1998, a total of 16 on-site bank inspections took place according to enhanced supervision practices, exceeding the target of 10. In addition, US-based training at the Dallas office of the FDIC was provided to 11 BNB inspectors, including the Directors of the On-site and Off-site Supervision Departments. Other donors engaged in this area include the World Bank and the IMF, which are actively engaged in policy and strategy formulation, and the EU PHARE, which is involved in off-site and special supervision.

Banker Training: The commercial banker-training program, delivered through FLAG/UD, was launched in early 1998 with the primary objective of institutionalizing the International Banking Institute, a Bulgarian organization majority-owned by the Association of Commercial Banks. A curriculum has been developed and the first round of nine courses was delivered to more than 200 participants.

Capital Markets Development

The capital markets development program is comprised of three principal elements, each of which was newly initiated in late 1998.

Support to Bulgarian Securities and Stock Exchange Commission (BSSEC): In conjunction with BSSEC staff, advisors from the IRIS Center of the University of Maryland prepared amendments to the draft Securities Law. The law is pending second reading in Parliament, and is slated for ratification in mid-to-late 1999. USAID-supported advisors have also developed draft implementation regulations and a code of conduct for BSSEC staff. Commission members and staff have received substantial training in enforcement and surveillance, including U.S.-based training through the U.S. SEC. USAID is taking the leading role in coordinating with the British Know-How-Fund, and is cooperating with them to develop a distance-learning program.

Broker/Dealer Training: USAID advisors assisted the BSSEC in developing and administering the broker/dealer licensing examination. In 1998, 195 brokers were licensed versus a planned target of 35. In addition, two USAID-assisted ISOs, the Bulgarian Association of Licensed Investment Intermediaries (BALII) and FLAG provided training to prospective brokers sitting for the licensing exam. Of the individuals who completed this course, 85% passed the broker/dealer exam.

Securities Market Infrastructure: In 1998 USAID/Bulgaria launched the Capital Markets Development Activity which focuses on all private market institutions including the BSE/S, the Central Depository AD (CDAD), and BALII. CARANA Corporation analyzed the BSE/S trading system, and provided assistance to both the BSE/S and CDAD in the preparation of their business plans. A training program for both issuers and market professionals was developed and is active. Several indicators outperformed planned targets – notably, the number of listed companies on the official floor of the BSE (19 vs. 5) and the weekly turnover as a percent of market capitalization (0.36% vs. 0.30%). Each of these

indicators measures increased breadth and liquidity in the market; essential to attracting domestic and foreign investment.

Public and Private Pension Reform

USAID's pension reform activities were launched in late 1998, consisting at first of private pension activities. Based upon GOB request, USAID/Bulgaria is now engaging in a broader scope of work including reform of the public pension system. Since project inception, the GOB drafted and finalized the law on Supplementary Voluntary Pension Insurance, the enabling legislation that will create the independent pension regulator. The USAID contractor, CARANA Corporation, has already provided some limited assistance to the GOB in broad public pension reform associated with the current "defined benefit" program managed by the GOB. USAID/Bulgaria is working closely with the World Bank, the IMF and other donors in pension reform, and is taking the lead in providing technical assistance in this arena.

C. Anticipated Progress Through 2001, Plans, and Possible Adjustments to Increase Impact:

USAID-supported activities are expected to meet or exceed most targets in 2000 and 2001, assuming that the government upholds the Currency Board Arrangement and maintains its commitment to financial sector reform. Given the vital importance of the banking, capital markets and pension activities to the country's economic development and eventual EU accession, and bearing in mind the leadership role that USAID plays in all three areas, the Mission will sustain significant and active involvement in these sectors.

In banking supervision, the Mission will focus on strengthening the newly-created Deposit Insurance Fund (DIF), in response to an urgent request from the GOB. Given the importance of the Fund in assuring integrity and inspiring trust in the banking system, and the comparative advantage of USAID resident advisors at the BNB, the Mission has agreed to provide assistance to the DIF. Based on updated information, several of the indicators for banking reform have been revised. The target for household deposits reported in the performance data tables as a percent of total deposits, has been revised to 60% in 2002, a sum equivalent to the proportion of household deposits existing before the 1996 banking crisis. Achieving this level of household deposits should signal restored trust and confidence in the banking system.

With regard to the capital markets program, USAID/Bulgaria has set a target "market capitalization to GDP" ratio of 20%. This is comparable to other emerging markets which rarely exceeds 30%, and is appropriate given Bulgaria's early stage of capital market development. Market breadth will now be measured as the number of companies listed on the official segment of the BSE/S, versus the total number of initial public offerings. The number of companies listed on the official segment is expected to reach 75 in 2001, up from the current 19. There is also a technical correction in the indicator "*volume of stock market transactions.*" This measure has been refined, and weekly turnover in 2001 is now projected to be 0.6% of market capitalization.

While the Law on Supplementary Voluntary Private Pensions has not yet been ratified by Parliament and no private pension companies have been licensed, private pension assets under management are projected to reach \$40 million in 2001. Based upon the progress to date in establishing a voluntary private pension system and a formal request from the

Minister of Labor, USAID/Bulgaria will use performance funds in 1999 and 2000 to expand its assistance to the Government in public pension reform. These new activities will enable the GOB to restructure the state-managed pension system. These essential reforms will help Bulgaria avoid insolvency of the inherited public pension system. USAID's assistance here is critical since no other donor is prepared to provide technical assistance in this area of social benefit reform.

D. Performance Data Tables

Strategic Objective1.4.: A More Competitive and Market Responsive Private Financial Sector			
APPROVED: 02/1998		COUNTRY/ORGANIZATION: USAID/Bulgaria	
RESULT NAME: SO 1.4. A More Competitive and Market Responsive Private Financial Sector			
INDICATOR: Private Bank Assets as a Percent of Total Bank Assets			
UNIT OF MEASURE: percent	YEAR	PLANNED	ACTUAL
SOURCE: Bulgarian National Bank/Banking Supervision Department	1997	-	32.7%
	1998	40%	44%
INDICATOR DESCRIPTION: Private Bank Assets as a Percent of Total Bank Assets	1999	50%	
	2000	85%	
COMMENTS: Both domestic and foreign (branches and subs) private assets are included	2001	85%	

Strategic Objective1.4.: A More Competitive and Market Responsive Private Financial Sector			
APPROVED: 02/1998		COUNTRY/ORGANIZATION: USAID/Bulgaria	
RESULT NAME: IR 1.4.1. A Sound, Regulated and Efficient Banking System Established			
INDICATOR: Non-Performing Loans as a Percent of Total Bank Loans (more than 60 days past due)			
UNIT OF MEASURE: percent SOURCE: Bulgarian National Bank/Banking Supervision Department INDICATOR DESCRIPTION: Gross book value of non-performing loans (more than 60 days past due) to total bank loans COMMENTS:	YEAR	PLANNED	ACTUAL
	1997	-	22%
	1998	20%	11.7%
	1999	10%	
	2000	8%	
	2001	5%	

Strategic Objective1.4.: A More Competitive and Market Responsive Private Financial Sector			
APPROVED: 02/1998		COUNTRY/ORGANIZATION: USAID/Bulgaria	
RESULT NAME: IR 1.4.2. A Regulated, Transparent, Liquid Securities Market Developed			
INDICATOR: Market Capitalization of Listed Securities as a Percent of GDP			
UNIT OF MEASURE: percent	YEAR	PLANNED	ACTUAL
SOURCE: Bulgarian Stock Exchange (BSE) INDICATOR DESCRIPTION: Market Capitalization of private sector firms whose shares are listed on a licensed exchange COMMENTS:	1997	0	0
	1998	5	7
	1999	7	
	2000	10	
	2001	15	

Strategic Objective1.4.: A More Competitive and Market Responsive Private Financial Sector			
APPROVED: 02/1998		COUNTRY/ORGANIZATION: USAID/Bulgaria	
RESULT NAME: IR 1.4.2.2. Institutionalized and Broad Public Participation in Securities Markets Increased			
INDICATOR: Number of Licensed Dealers			
UNIT OF MEASURE: Number SOURCE: BSSEC INDICATOR DESCRIPTION: Total number of dealers (individuals) who maintain their licenses current COMMENTS:	YEAR	PLANNED	ACTUAL
	1997	0	0
	1998	35	195
	1999	230	
	2000	250	
	2001	300	

SO 2.1: Increased, Better-Informed Citizens' Participation in Public Policy Decision-Making

A. Summary of Strategic Objective and Key Intermediate Results

The existence of a strong, flourishing and well-informed civil society is integral to USAID/Bulgaria's ultimate goal of establishing a free-market economy and democratic institutions. Therefore, this SO will be accomplished by building the capacity of NGOs to play a key role in facilitating broad public participation in policy and decision making. The core of the SO is the development of strong non-governmental organizations able to present public interests through participation in public policy decision-making. The objective will be achieved when non-governmental organizations are fully developed to ensure citizens' participation, and the public has unlimited access to public affairs news from an independent media.

This SO will be achieved through two key Intermediate Results. Through **IR 2.1.1**, USAID is strengthening the *Capacity of NGOs* by working on the legal/regulatory enabling environment for civil society; increasing advocacy coalitions for participation; improving NGO operation and financial viability; and by establishing effective and sustainable ISOs. The Anti-corruption program (IR 2.1.1.2), is a cross-cutting program for the USAID/Bulgaria strategy, and is designed to contribute to all SOs by laying the foundations for a strong democratic society and economic reform. The second key result, **IR 2.1.2**, aims to *Strengthen Independent Broadcast Media* by improving the electronic media regulatory framework, improving the professionalism of journalists, improving business management of broadcast media and increasing the effectiveness of media associations. To reflect the logic of the strategy, two small adjustments were made in the results framework which: 1) moved 'improved NGO operation and financial viability' under 'effective, sustainable ISOs in place', and 2) merged 'professionalism of journalists improved' and 'improved business management of broadcast media' to become 'professionalism of media outlets improved.'

B. Performance Analysis

1. Summary Performance Statement

Performance of this SO over the past year has been mixed, since important components of the program were in a transition phase in the shift to the new ISO strategy. Progress was made in many important areas of the ENI NGO Sustainability Index: Bulgaria's rating has improved from 4 in 1997 to 3.6 in 1998 (1 being the optimal rating for a vibrant civil society sector). However, we did not proceed as rapidly as we had hoped in the area of NGO law, or with the transition from direct grants to ISO structures. USAID/W conducted a 'Lessons in Transition' review of the Democracy Program in February 1999, which further enforced our belief that a longer time frame is needed to achieve the goals of this objective and reach the third stage of NGO sustainability according to the ENI NGO sustainability index.

2. Performance over the Past Year Relative to Plans

1998 was a transition year for USAID assistance under this SO as we laid the groundwork for the new ISO strategy, entered a new cooperative agreement for the civil society program, actively supported a new legislative framework regulating the operation of the media, and geared-up the new anticorruption program. USAID took the lead to closely coordinate the strategy with other civil society donors to address NGO funding gaps and to ensure that assistance kept flowing to the sector.

Civil Society

The first phase of the Democracy Network (DemNet) Program, implemented by the Institute for Sustainable Communities (ISC), was successfully completed in December 1998. The goals of Phase I included supporting and strengthening a critical mass of NGOs, building civil society, and advocating policy change. 111 grants were distributed to Bulgarian NGOs, leading to 55 instances of policy change, 64 partnership projects, and the foundation for building ISO structures. At the end of DemNet I, the public's awareness of NGOs' role in public policy decision-making had increased to 52%. This is evidenced by the gains civil society has made in the areas of "Advocacy"(2.8) and "Public Image"(2.8) according the ENI NGO Sustainability Index. These gains were slightly offset by the limited progress in the area of financial viability (5.0), where most Bulgarian NGOs continue to be dependent on foreign funding.

The second phase of DemNet aims to develop ISOs that will institutionalize a sustainable local capacity to provide the civil society sector with political access; technical assistance, training, and networking services; as well as financial resources. Phase II of DemNet was launched in October 1999, and some delays were encountered due to a restructuring of ISC's offices. However, the program is successfully underway and major support to ISOs should start flowing by the end of the calendar year. To facilitate information flows and coordination with other key USAID programs, as well as to better reflect the importance of DemNet, all SOs within USAID/Bulgaria's portfolio, and "synergy partners" from business, local government, media and the TRANSIT training program were invited to join DemNet II Program Committee. This committee will be responsible for recommending ISOs that will receive support under DemNet II.

In 1998, significant effort was put towards improving the NGO legal and regulatory environment, particularly the arcane law regulating the activities of NGOs. Three draft NGO laws were introduced into parliament. Two of these drafts originated from a draft prepared through USAID assistance via the International Center for Non-for-Profit Law. Notably, the USAID draft law has been used as a model in a number of countries for their own NGO laws. Although the process is not moving as rapidly as anticipated because of the efforts to reconcile the three drafts, recent developments raise hope that after seven years, finally there will be a new NGO law in place in 1999.

Phase I (design phase) of the anti-corruption program, implemented by the International Development Law Institute, was completed in February 1999. Phase II of the program, currently underway, is the implementation of the program. The main activity in the anti-corruption effort is USAID/Bulgaria's support for the Coalition 2000 partnership between Bulgarian NGOs, governmental institutions, and the private sector. In 1998, Coalition 2000 developed an Anti-corruption Action Plan for Bulgaria, which was publicly endorsed by the Government in November. For the short period of its existence, this program has been touted, throughout the region, as a model to successfully implement anti-corruption initiatives.

Media

The Professional Media (ProMedia) program, implemented by IREX, assisted professional and trade organizations to successfully advocate the passage of both principal laws regulating the independent media environment: the Media Law and the Telecommunications Law. The passage of these laws was an important goal that USAID/Bulgaria had set for the program in 1998. While the laws still fall short of some important standards, their very existence greatly

improves the regulatory environment for all media, and creates possibilities for faster development of the Bulgarian radio and television industries. As part of its association building work ProMedia assisted in the creation of the Bulgarian Media Coalition, an independent association of ten leading electronic media associations.

C. Anticipated Progress through 2001, Plans, Possible Adjustments to Increase Impact

Over the coming year as the program completes the transition to the new ISO approach, careful attention will have to be paid so that smaller NGOs are not harmed from a hiatus in technical and financial assistance. USAID will continue working with ISC and other donors (Soros, EU and others) to ensure that smaller NGOs receive funds. USAID will also take the lead in conducting a thorough assessment of civil society in Bulgaria to ensure the continued responsiveness of DemNet and other donors' programs to the unique Bulgarian environment. As DemNet II is emerging from the transition period, we are looking forward to establishing solid foundations for a successful civil society program, continued donor coordination, and an effective program committee. Two significant challenges in the near term are the pending selection of a new country director for the DemNet program, and finalizing our targets and indicators based on a recent baseline data survey.

As a result of the improvements in the media regulatory framework, particularly in broadcast licensing, rapid growth of private television is expected. The development of independent television in Bulgaria requires a sustained training and support effort. USAID/Bulgaria will address this need by establishing the ProMedia Television Training Center in 1999. The Center will be operated jointly with the newly formed Bulgarian Media Coalition, an association of the strongest media organizations in the country. In order to improve the level of professionalism of TV media, the training program will require extensive efforts in the next two to three years.

The anti-corruption program has successfully completed its first phase. It is now in the second phase, and is focusing on implementation. In the implementation phase, Coalition 2000 will educate the general public on the nature and effect of corruption on the Bulgarian society and economy. By providing increased and more detailed information on the effect of corruption in Bulgaria, Coalition 2000 hopes to foster legislation, regulations and other standards, which will help to improve the legal and regulatory framework for the detection, control and alleviation of corruption.

USAID/Bulgaria is also working on launching a parliamentary support program, in response to the needs expressed by the Bulgarian Parliament for legislative technical support, and facilitating greater involvement of civil society in the legislative process. This includes a new parliamentary intern program, and a possible additional grant to an NGO.

USAID/Bulgaria is striving to develop ISOs capable of providing lobbying support, training, technical and financial assistance to the civil society sector after USAID's assistance has ended. Building a strong and dynamic civil society is key to the continued development of the country. USAID sees continuing needs beyond 2002 in strengthening the legal framework, building coalitions, and strengthening civil society organizations, including media associations.

D. Performance Data Tables

Strategic Objective 2.1.: Increased, Better-Informed Citizens’ Participation in Public Policy Decision-Making			
APPROVED: 02/1998		COUNTRY/ORGANIZATION: USAID/Bulgaria	
RESULT NAME: IR 2.1.1. Strengthened Capacity of Non-Governmental Organizations			
INDICATOR: NGO Sustainability Index			
UNIT OF MEASURE: scale	YEAR	PLANNED	ACTUAL
SOURCE: ENI/DGSR ‘s NGO Sustainability Index	1997	-	Stage 2(4.0)
INDICATOR DESCRIPTION: Five aspects of sustainability (legal environment, organizational, financial viability, advocacy, public image) are analyzed capacity. Three stages (stage one being the lowest) classify the maturity of CEE countries CSO sectors. Stage 1(eqv.to FH Civil Liberties Indicator 5 to 7), Stage 2 (4 to 3), stage 3 (2 to 1).	1998	-	Stage 2(3.6)
	1999	Stage 2(3.4)	
	2000	Stage 2(3.2)	
	2001	Stage 2(3.0)	
COMMENTS: The NGO Sustainability Index has been measured since 1997. Targets are in process of being developed.			

Strategic Objective 2.1.: Increased, Better-Informed Citizens’ Participation in Public Policy Decision-Making			
APPROVED: 02/1998		COUNTRY/ORGANIZATION: USAID/Bulgaria	
RESULT NAME: IR 2.1.2. Electronic Media Legal/Regulatory Framework Improved			
INDICATOR: Enactment and Implementation of Electronic Media and Telecommunications Legislation that Conform to International Standards			
UNIT OF MEASURE: yes/no	YEAR	PLANNED	ACTUAL
SOURCE: Grantee’s reports	1997	Drafted	Drafted
INDICATOR DESCRIPTION: Media Law, Telecommunications Law	1998	Adopted	Adopted
COMMENTS: Although both the Media and the Telecommunications Laws were adopted, amendments are needed to ensure compliance with international standards. The Promedia program will continue to work towards the necessary amendments and have started a monitoring project on the implementation of the laws.	1999	Amended/ Monitored	
	2000	Monitored	
	2001	Monitored	

Strategic Objective 2.1.: Increased, Better-Informed Citizens’ Participation in Public Policy Decision-Making			
APPROVED: 02/1998		COUNTRY/ORGANIZATION: USAID/Bulgaria	
RESULT NAME: SO 2.1. Increased, Better-Informed Citizens’ Participation in Public Policy Decision-Making			
INDICATOR: Percent of Population Who are Aware of Any NGO’s Role in the Public Policy Matter			
UNIT OF MEASURE: percentage	YEAR	PLANNED	ACTUAL
SOURCE: USAID survey	1997	-	-
INDICATOR DESCRIPTION: NGO role defined as sponsorship, support/opposition or issue awareness campaign.	1998	-	52%
	1999	TBD	
	2000	TBD	
COMMENTS: Baseline data were collected. SO Team will review baseline data and set target indicators.	2001	TBD	

Strategic Objective 2.1.: Increased, Better-Informed Citizens’ Participation in Public Policy Decision-Making			
APPROVED: 02/1998		COUNTRY/ORGANIZATION: USAID/Bulgaria	
RESULT NAME: IR 2.1.1.1. Enabling Legal and Regulatory Environment for Civil Society Organizations in Place			
INDICATOR: Number of Legal and Regulatory Changes that Empower NGOs in Public Affairs			
UNIT OF MEASURE: NGO law <hr/> SOURCE: Parliament’s legal agenda <hr/> INDICATOR DESCRIPTION: Includes pending legislation on law governing NGO status, legislation that addresses tax issues, legal framework for NGO-local government partnerships. <hr/> COMMENTS:	YEAR	PLANNED	ACTUAL
	1997	passed	drafted
	1998	passed	introduced in Parliament
	1999	passed	
	2000	passed	
	2001	passed	

SO 2.2 An Improved Judicial System That Better Supports Democratic Processes and Market Reforms

A. Summary of the Strategic Objective and Key Intermediate Results

This SO is critical to the entire USAID/Bulgaria strategic framework in seeking to improve the judicial system so that it can more effectively reinforce democratic processes and market reforms. Effective and impartial application of the rule of law, a key element of EU accession criteria, can only be implemented by a professional judiciary. In the beginning of 1998, the judicial reform agenda was accelerated by the GOB. Priorities include structural and regulatory reform of the administration of justice, and the harmonization of Bulgarian legislation with EU law. In Bulgaria today, there is a strong consensus to continue and intensify the process of judicial reform. To achieve these goals USAID has structured a Rule of Law program to include judicial training and court administration. The direct beneficiaries of this program will be the Bulgarian judges and the Bulgarian judicial system, however this program will clearly benefit the full-range of actors from a strong civil society to the market economy. USAID/Bulgaria anticipates that once an institutional framework for continuing judicial education and career development of judges has been established, with USAID's support, other donors will carry on funding the continuing strengthening effort.

The Strategic Framework has been simplified to reflect the findings and conclusions reached by USAID, counterparts and consultants. This SO will be achieved by two IRs: *Improved Professionalism of the Judiciary* (IR 2.2.1) through establishing a viable Judicial Training Institute (IR 2.2.1.1) and *Improved Court Administration* (IR 2.2.2) through launching a series of Model Pilot Courts (IR 2.2.2.1). Concrete indicators are being finalized and will be established in the coming year after consultations with the implementor. Specific changes are discussed in the last section.

B. Performance Analysis

1. Summary Performance Statement

Performance under this SO is coming on-track, despite some delays experienced in the design phase. This SO was added to the USAID/Bulgaria framework in late 1997, and the design of this program to strengthen the complex Bulgarian judiciary has required a comprehensive and exhaustive effort. USAID/Bulgaria has played a leadership role in working with the World Bank to prepare an assessment, and to structure a program that will address the needs of the judicial system in Bulgaria.

2. Performance Over the Past Year Relative to Plans

Past year activities have been devoted to the complex task of designing this program. In October-November 1998 a team of four experts prepared a detailed assessment of critical issues facing the Bulgarian judicial system. Their final report outlined needs in the areas of judicial qualification, judicial training, administrative reform and training, recording/accessing court proceedings and case information, court filing systems, reformed civil procedure and criminal procedure codes. This report is recognized by local and donor partners as the most comprehensive assessment of the judiciary in Bulgaria to date. More importantly, this document served as the basis for preparing the scope of work (SOW) for the implementation of this program. The SOW for the program has been drafted, shared and discussed with local counterparts, USAID/Washington, and the Regional Contracting Officer.

Although actual implementation of the program has not commenced, some important achievements have been made. In February 1999, the legal structure of the Magistrate Training Institute was created. This entity is a tri-partite body bringing together the Bulgarian Association of Judges, the Alliance for Legal Cooperation, and the Ministry of Justice and European Integration. USAID/Bulgaria has closely followed the development of this institution and has worked to facilitate its formation. This new structure will serve as a semi-independent institution reconciling the interests of both the Government and the judges. The agreement forming this organization represents a solid foundation for this program and a crucial precondition in achieving the goals of this SO.

In addition to working on the sectoral assessment, USAID/Bulgaria has also contributed to the drafting of a new Penal Procedure Code. The Code has undergone its first reading to Parliament and is currently under review by the relevant parliamentary committees. With USAID's support, the Bulgarian Association of Judges, a key counterpart in achieving success in this area, held two workshops focused on criminal code procedure reforms. The new Code will establish a new structure for a more efficient criminal justice process in Bulgaria.

USAID/Bulgaria has been at the forefront of activities and donor interest in this area. The design team has consulted with other potential donors in identifying the priorities for international organizations that may assist with judicial reform in Bulgaria. A World Bank consultant team worked with the USAID design team during the October-November 1998 assessment. The World Bank is considering a loan to the Bulgarian Government for Court Automation and may base the conditionality of its loan on the results of the USAID supported activities. The local representative of the Open Society Institute's legislative program – the Constitutional and Legislative Policy Institute (COLPI), was also involved in the some aspects of the judicial assessment; however, they have not stated any plans to implement programs in judicial reform. The EU assistance program has listed judicial reform as a high priority within its public administration reform agenda, but has not expressed any immediate plans to implement any specific programs. As we finalize the design of the judicial reform program, USAID/Bulgaria will continue to play a leadership role with other donors active in this area.

C. Anticipated Progress Through 2001, Plans and Possible Adjustments to Increase Impact

The Mission views strengthening the judicial system as one of the key objectives of the USAID/Bulgaria program, as it is an integral element in building a sound democratic and market oriented society. The importance of this program has been widely recognized by international donors and local counterparts, including the Ministry of Justice, and is a centerpiece of the U.S.-Bulgaria bilateral workplan. 1999 is a critical year for the implementation of this program. With the request for proposals issued in the spring, we anticipate having a contractor on the ground by the end of the calendar year. The next important step will be developing and negotiating an appropriate MOU with the GOB identifying the responsibilities of the relevant parties. The consensus already reached with the GOB in designing the activities under this program has been crucial for its success to date. USAID/Bulgaria views this as a multi-year program, which is likely to extend beyond 2002 in order to effectively establish the Magistrate Training Institute and impact all branches of the judiciary.

In the process of completing the design, USAID/Bulgaria decided to introduce the following changes in the SO 2.2 Results Framework: IR 2.2.1, *Improved Career Benefits for the Judiciary*, is no longer considered a necessary prerequisite for achieving the SO. The number of law schools in the country has dramatically increased over the last year; and there are enough qualified law school graduates who are interested in careers in the judiciary. As a result of the assessment team findings, USAID/Bulgaria does not consider it essential to engage in activities in the area of law school preparation, originally IR 2.2.2, *Improved preparation of law school students for careers in the Judiciary*. Instead, USAID may work with the relevant institutions to implement a one-year apprenticeship requirement law degree.

A recent adjustment to the plan is the two-pronged implementation approach considered for this SO. USAID/Bulgaria will launch a program composed of activities in the areas of judicial training and court administration to be implemented by a contractor.

USAID/Bulgaria expects to have this program contracted by September 1999. While implementor selection is pending, USAID/Bulgaria will continue to build the foundation for the program and accelerate implementation by supporting the institutional development of the Magistrate Training Institute via a direct grant mechanism.

In 2000 and 2001 extensive work will lay the foundations of a sustainable program designed to include two components: judicial training and court administration. USAID will work to build a viable Magistrate Training Institute, a newly conceived training institution, which will be the major vehicle providing curriculum development and a strong faculty for judicial training. The ultimate goal to be achieved by judicial training is a change in attitudes, knowledge, skills and behavior of judges and court personnel. This will be achieved by combination of both initial and continuing judicial training. USAID will also work with the Magistrate Training Institute and the Ministry of Justice and European Integration to implement a pilot program to improve court administration. The program will include the establishment of several Model Pilot Courts and technical assistance in identifying and promoting legislative and administrative reforms necessary to achieve this result.

Judicial reform is of critical importance for Bulgaria's EU accession. USAID/Bulgaria's SO 2.2 lays down the foundations for the reform of the judicial branch of the judicial system, which also includes the prosecution and investigation branches. The significance and complexity of the overall task of reforming the judicial system is likely to require sustained engagement by USAID and other donors for several years to come.

SO 2.3 Local Governments are Making Responsive Choices and Acting on Them Effectively and Accountably.

A. Summary of Strategic Objective and Key Intermediate Results

This SO builds the local government keystone: it aims to create the skills to govern democratically and effectively at the local level, secure the fiscal base for local government activities, and advance the local government agenda within the national government. Concrete SO aims include: a modern administrative infrastructure at the local government level; skills in budget analysis, tax collection, municipal property management, and customer service at the local government level; and collaborative program planning and implementation between local government, civil society and the private sector. These are critical components in carrying out the country strategy of strengthening local government and democracy, and stimulating regional economic growth. The direct beneficiaries are local and national level government officials and staff, members of Parliament, the staff and boards of indigenous ISOs, citizens and private sector representatives.

The SO will be achieved through: **IR 2.3.1** *Favorable legal framework*, **IR 2.3.2** *Necessary financial tools, resources and practices*, **IR 2.3.3** *Competent, participatory administration*, **IR 2.3.4** *Support from Intermediate Support Organizations*. SO 2.3 has been a key element of USAID/Bulgaria's program since its inception. In line with the overall USAID strategy in Bulgaria, implementation of this program will increasingly occur through ISOs. The strategy is built upon an integrated approach, with IR team (consisting of USAID, ISO, and local elected and administration officials) collaboration and cross-SO projects.

B. Performance Analysis

1. Summary performance statement: The mission considers this program on-track. A baseline survey of citizen satisfaction indicated that municipalities which received USAID support were considered more effective and accountable. We are particularly pleased with the progress of the ISOs: local government association membership levels continue to grow, and they provide input on important legislation. The Foundation for Local Government Reform (FLGR) is highly regarded here and internationally for their policy forums, publications, city twinning program, and small grants program. Municipal management practices are ripe for replication.

2. Performance over the past year relative to plans: While the current program is on track, during the past two years it has suffered from serious administrative problems, causing disruptions at all levels of the program. In September 1998, the program got off to a new start with the arrival of the Local Government Specialist, a position created at the urging of the ENI office, and a fresh 30-month contract signed with MSI. The Local Government Initiative (LGI) houses the contractors under MSI, and coordinates the Core Team, consisting of IR team leaders, mayors and ISO staff, to monitor and guide the program. Other elements include the ISOs and the Department of Labor program (PLEDGE), which promotes economic development projects within the context of local government.

Legal Framework and Policy Advocacy

As a key step in creating the *favorable legal framework* (2.3.1), a legislative agenda has been defined by the National Association of Municipalities in the Republic of Bulgaria (NAMRB). The regional associations funnel policy recommendations through NAMRB for development and presentation of proposals to Parliament and provide the substance of policy positions.

The NAMRB and the regional associations provided input to the passage of the Law for Regional Development, and 14 proposals for others were also accepted by Parliament. In addition, LGI has been asked by Parliament to organize a conference for the MPs on how to address local issues. In addition, LGI will publish two guides on the legislative process for municipal government staff. No other donors are currently active in this arena.

Fiscal Decentralization and Regional Economic Development

We are providing the *necessary financial tools, resources and practices* (2.3.2): local government authority over annual municipal budgets increased from 9% to 15% over last year. NAMRB signed an MOU with the Ministry of Finance authorizing municipalities to set local spending priorities within the 1999 national budget. Fiscal decentralization is of extreme importance and has gained the attention of the World Bank. It is hoped that the Bank will step up its efforts in this area. The success of the Regional Economic Development Agency in Stara Zagora in securing export contracts for local businesses is one example of municipalities increasing their avenues for increasing local resources. PLEDGE, USAID/Bulgaria's integrated local economic development program, has trained nine municipal cross-sector teams to develop economic plans for local and regional governments. Other donors include European governments, the Open Society Foundation, British Know How Fund, United Nations Development Program and PHARE.

More Responsive Local Government

To achieve *competent, participatory administration* (2.3.3), forty-eight Bulgarians from a dozen ISOs, governments, and the private sector have been trained by LGI to deliver six training modules. Over 600 local officials and councilors have participated. Ten municipalities will receive training and technical assistance in budgeting. The FLGR's Technical Twinning Program (TTP) enabled seven Bulgarian cities to implement new projects for generating revenues and managing services. Three cities have established "Customer Service Centers," which promote economic development as well as democratic governance. The British Know How Fund is the other active donor.

Strengthening Local Governance ISOs

For local governments to receive ongoing *support from Intermediate Support Organizations* (2.3.4), the ISOs themselves must be strong. Seven receive direct grants: five regional associations of municipalities (RAMs), and two national ISOs. The RAMs base has increased to 91 municipalities, and NAMRB membership constitutes 86% of all municipalities in Bulgaria. Nearly 1,000 people (government; NGOs; private sector; universities) have attended FLGR seminars. The Local Government Committee in Parliament has asked FLGR to organize regional seminars to help implement the Law for Regional Development. AID is the major donor in association building; other donors include the Netherlands Association of Municipalities, PHARE, and the EU.

C. Anticipated Progress Through 2001, Plans, and Possible Adjustments to Increase Impact

Considerable progress is expected under this SO over the next two years. The program has a new contractor, excellent relationships with the municipalities, and maturing ISOs. Work within this SO is by nature tied to the local political context, which currently favors greater decentralization, though this is clearly a long-term objective. The program will focus increasingly on policy reform (fiscal decentralization and additional authorities for local

government); capacity-building of our partners (to carry out training, to lobby, to plan and implement economic development projects); and dissemination of lessons learned.

Efforts at the policy level are already bearing fruit. Regardless of the short-term municipal election results, the trend toward greater citizen participation and local authority will undoubtedly continue, providing the enabling environment for reforms. However, this is a two-to-three year undertaking, and USAID's work will be crucial. Several Ministries are engaged with us on fiscal decentralization and World Bank assistance is a possibility. The staff, the consultants, the contacts, and the ideas are in place to carry out an expanded program.

Capacity-building among the partners is positive, but challenges remain. While many ISOs are more independent and effective, they must become better fundraisers, and they must increase revenues from fees and services. As governments have limited resources, it is necessary to educate them as to the value of these services. The dissemination of local governance best practices is underway through special projects ("LOGIN" program) in addition to the ongoing distribution of materials and educational sessions. Adoption of participatory practices projects will depend on how adept local governments are at assessing the economic feasibility and political payback, as well as the economic context.

A strong economic base is essential for effective, participatory local government. Despite a mixed prognosis at the national level, there are positive initiatives at the regional/local level. Many municipalities have made economic development a priority and are proposing creative programs, as illustrated by their response to PLEDGE's recent training program, and by the creation of economic development centers. A Mission cross-program working group has been formed to promote multi-sector community-based collaboration.

Working at the municipal level will continue to be the centerpiece of the program, with greater emphasis on partnerships with other sectors and with other USAID partners. For example, to propel fiscal decentralization and build upon municipal pilot projects, a high-level working group will promote the adoption of selected policies. In preparation for eventual changes in this area, trainers are providing local government staff with appropriate skills. Staff within ENI are coordinating with LGI to involve the World Bank's Municipal Finance Initiative. A key upcoming event that may disrupt progress along these lines is the October 1999 municipal election. A high percentage of the mayors (including many of our partners) may turn over.

We are confident of progress over the coming years. As targets are set, the IR benchmarks will undergo further refinement and an effective monitoring system will be developed under LGI's leadership this Fall. The initiatives described above will require time, effort, and funds. But as we look forward, we are excited by new opportunities, including more proactive work with other donor partners, including the UNDP and the World Bank.

D. Performance Data Tables

Strategic Objective 2.3.: Local Governments are Making Responsive Choices and Acting on Them Effectively and Accountably			
APPROVED: 02/1998		COUNTRY/ORGANIZATION: USAID/Bulgaria	
RESULT NAME: SO 2.3.: Local Governments are Making Responsive Choices and Acting on Them Effectively and Accountably			
INDICATOR: Index of Citizen Ranking of Local Governments’ Responsiveness, Effectiveness and Accountability			
UNIT OF MEASURE: 5-step scale	YEAR	PLANNED	ACTUAL
SOURCE: USAID Survey (baseline data, 1998)			
INDICATOR DESCRIPTION: Effectiveness Responsiveness Accountability Citizens knowledge, Information and Participation COMMENTS: The indicators are based on SO 2.3 goal. The baseline survey was done in two groups of municipalities: 11 municipalities which had received AID technical assistance and training, or grants for special projects or equipment; and a control group of 15 municipalities which had not received any support from AID. For all four indices the partner municipalities perform better than the comparison ones. The indices for “partner” municipalities are shown, on a four point scale with 4.0 being complete satisfaction.	1998	none	1.96
	1998	none	1.74
	1998	none	1.78
	1998	none	1.11
	1999	2.01	
	1999	1.81	
	1999	1.81	
	1999	1.14	

Strategic Objective 2.3.: Local Governments are Making Responsive Choices and Acting on Them Effectively and Accountably			
APPROVED: 02/1998		COUNTRY/ORGANIZATION: USAID/Bulgaria	
RESULT NAME: IR 2.3.1: National Legal Framework Provides Local Governments with the Authority to Match the Responsibilities Devolved by the State			
INDICATOR: Policy Positions Local Government Groups Advocate before the Central Government			
UNIT OF MEASURE: Formal input by municipal body or association on policy/ legislation/regulation is accepted by the legislative or executive body. <hr/> SOURCE: Associations <hr/> INDICATOR DESCRIPTION: Using the number of positions and proposals for changes in national legislation and regulations; calculating the percentage of those accepted and/or incorporated into the official documents, compared with the total number which were submitted. <hr/> COMMENTS: This is a remarkable percentage, demonstrating that the associations are capable of policy analysis and proposal development from the grassroots up to the national association. It also shows that they are cognizant of lobbying and advocacy skills, have appropriate contacts in the Parliament and Executive bodies, and understand the legislative process.	YEAR	PLANNED	ACTUAL
	1997	N/A	N/A
	1998	-	51%
	1999	55%	
	2000	60%	
	2001	65%	
	2002	70%	

Strategic Objective 2.3.: Local Governments are Making Responsive Choices and Acting on Them Effectively and Accountably			
APPROVED: 02/1998		COUNTRY/ORGANIZATION: USAID/Bulgaria	
RESULT NAME: IR 2.3.2 Local Governments are Developing the Financial Tools, Resources and Practices Needed to Fulfill their Responsibilities to Improve the Local Economic Base			
INDICATOR: Local Government Authority over Annual Municipal Budget			
UNIT OF MEASURE: percent <hr/> SOURCE: National Statistics <hr/> INDICATOR DESCRIPTION: The indicator measures the percent increase of local government authority over annual municipal budget against previous year results. This is calendar year data. It is based on the municipal share of the following revenues in total municipal revenues: Property Tax Vehicle tax Waste disposal fee <hr/> COMMENTS: Legislation enacted in 1997 required a reevaluation of property tax records and set new rates: it prompted the regional tax collection offices to do an assessment and left the waste disposal fee up to local discretion. The Plovdiv Fiscal Decentralization Project assisted the city in understanding the options. Plovdiv set the rate at a level that yields five times as much revenue as property taxes. This is proof that municipalities have the will and political ability to raise taxes when they have the opportunity	YEAR	PLANNED	ACTUAL
	1998	8%	15%
	1999	2%	
	2000	1%	
	2001	1%	
	2002	1%	

SO 4.1: Special Initiatives

No Results Framework is prepared for the "special initiatives" strategic objective. No overall progress assessment is prepared, as this SO is made up of 5 separate and distinct activities.

I. Project 180-0039.12, "Nature Conservation (GEF)"

This \$4 million activity is carried out as parallel financing with the United Nation's Global Environmental Facility (GEF). Progress under this activity was slow during the initial years of the program for a variety of reasons, including delays on the part of the GOB in meeting commitments undertaken in the January 1995 project Memorandum of Understanding (MoU). However, in the final quarter of 1998, the rate of progress under this program increased. In November 1998 a long-awaited Protected Areas Law (PAL) was passed by Bulgarian Parliament. Coordination with the Ministry of Environment and Waters (MoEW) has improved. Progress has been demonstrated in the whole biodiversity conservation area, including strengthening the policy framework with the Government approval of the National Biodiversity Conservation Strategy in April 1998, as well as the PAL. In addition, within the scope of this program much fruitful work has taken place at the local level. It is expected that with PAL now in place, progress in this area will be faster in FY99 and FY00. In view of these new developments and the renewed perspectives for this project, the project MoU was renegotiated and an Amendment and Modification was signed in September 1998. The contract received a no-cost extension until 12/31/99. Modifications were made in the contract budget and time table to reflect the significant delays and the necessary push towards an accelerated work program.

The MoEW has on numerous occasions requested USAID's support for follow-on funding for this program, including an effort to obtain some GEF biodiversity financing from the World Bank. In light of the changed situation and the demonstrated progress in this area in Bulgaria, the Mission is now planning a next phase of this activity for the following reasons:

- Due to the multi-year delays in key elements (such as passage of the PAL) a number of the program's original objectives cannot be accomplished by the end of 1999.
- Good coordination has finally been achieved with the MoEW, and USAID is well-positioned to assist MoEW move forward with a number of key elements critical to biodiversity conservation in Bulgaria, including: development of framework Biodiversity Law; training MoEW field staff now significantly increased under the new PAL; facilitating the proper rationalization of the new MoEW and Ministry of Agriculture, Forestry and Land Reform (MAFAR) relationship as regards biodiversity conservation under the new PAL; assisting with the development of secondary legislation; etc.

In this respect USAID, is extremely well-placed to play a leadership role with the other donors in the field, and plans to explore possibilities for coordination with the World Bank, UNDP, and the Swiss Government for the next phase of this program.

II. Project 180-0021.10, "American University in Bulgaria"

AUBG's mission as a liberal arts institution of regional significance has been reinforced over the past year. The university has seen its capacity to attract high-caliber young people with leadership potential increase, which signals the importance of this institution for all of South Eastern Europe. In compliance with the Cooperative Agreement of late-FY96, setting up an

endowment fund of almost \$15 million, AUBG has updated its strategy for cost reduction and increased revenue generation from its own sources. Considering the efforts the University is making to restructure its finances and close the financial gaps in covering its operating expenses, it can be assumed that AUBG will have the sustainability mechanism established by the end of the ten-year period, without further financial contributions by USAID.

The return on investment of the endowment fund money was slightly lower in 1998 than in 1997. This past year performance can be attributed to the general market volatility and the extremely harsh conditions on the financial markets in 1998. However, the overall return on the investment portfolio since the endowment's inception remains strong at approximately 16%. Financial projections at this point show a considerable balance remaining in the endowment fund. The University is also expecting financial inflows from other donors in FY99 that will stabilize its financial standing and will help overcome the temporary financial difficulties without unanticipated withdrawals from the endowment fund.

III. Project 180-0023.07, "Peace Corps (includes SPA)"

This program transfers a small amount of funds to the Peace Corps (PC) in Bulgaria, mainly for implementation of Small Projects, designed/assisted by PC volunteers. The activity has significant relative impact, bearing in mind that the projects range from \$2,000 to \$5,000. The project proposals are prepared jointly by a local community institution(s) and a Peace Corps volunteer, and mainly cover the areas of expertise of the volunteer—i.e. education, environment, or economic development assistance. Hence, the projects are community based and often create or use linkages with other USAID projects at the local level in the areas of local governance and economic development, environmental awareness, civil society development, etc. The Mission finds SPA a useful activity and a good overall "return on investment." USAID intends to continue its commitment to funding SPA at a modest level, subject to an annual performance review and availability of funds.

IV. Project 180-0010.04, "Bulgarian American Enterprise Fund"

The Bulgarian American Enterprise Fund (BAEF) was fully funded in FY 1998 to its congressional earmark of \$55 million. The BAEF began important new activities in FY 1998 and FY 1999, most notably the initiation of mortgage lending activities. BAEF is also examining the start-up of a pension fund activity, with local joint venture partners. BAEF continues to have potential to play an important role in filling gaps in the availability of equity investment for Bulgarian businesses.

V. IAA 632(a) Transfer to the U.S. Department of the Treasury

Under the Treasury Debt Program with the Bulgarian Ministry of Finance and the Bulgarian National Bank, significant progress has been made so far. USAID support was instrumental in the successful negotiation of the terms and conditions of Bulgaria's debut Eurobond Issue. Other major contributions of the USAID technical assistance are: establishment of an unified debt management system, completion of a standard set of market conventions and practices, amendment of the law on Issuance of Government Securities, and establishment of a working group to develop a Sovereign Debt Law.

SO 4.2: Cross-cutting Programs

There is no Results Framework for this SO. Therefore, no Performance Data Table is required.

I. Proj. 180-0249.83 : Audit, Evaluation and Project Support (AEPS)

A. Performance Analysis

1. Summary Performance Statement

With the maturity of USAID's portfolio, and after three years of field management, the AEPS fund has become an important tool supporting all SOs. AEPS proved indispensable to USAID/Bulgaria in providing administrative support for smooth Mission operations, and vital support for all on-going and new program activities.

2. Performance over the Past Year Relative to Plans

The increasing importance of AEPS to the Mission was highlighted by the fact that last year it recorded the highest amount of obligations since the program's inception. Over half a million dollars were obligated under AEPS in FY98 to cover a broad range of requests and needs. In line with prior year practice, PSCs and FSN activity managers were funded under AEPS. The project was an important means of meeting Mission needs in the face of tight OE budget constraints. AEPS funds were used to complement OE funds by covering key administrative expenses for services provided to the program-funded staff.

The program support activities under AEPS ranged from those traditionally funded under AEPS --surveys of the accounting system of grant applicants and follow-up financial audits -- to the design of new programs. The largest AEPS expenditure for FY98 was funding for the design of the new Rule of Law program where the basic design effort was complemented by two short-term consultancies. AEPS was instrumental in launching an entirely new initiative with the Bulgarian National Assembly to facilitate legislative reform and promote civil society participation in the legislative process (two short-term consultancies paved the way for a LSGA to be signed with the Parliament). Another major accomplishment was the implementation of three baseline data and public opinion surveys in different strategic objective areas that equipped the activity/project managers with valuable information enabling them to track progress and make well-grounded management decisions in cooperation with the partners. A further achievement was the initiation of the new CA with the American University of Bulgaria (AUBG) that is expected to be a major tool for assisting all SO teams by making use of the unique bilingual capabilities of AUBG staff and students.

B. Anticipated Progress through FY 2001, Plans, and Possible Adjustments to Increase Impact

The critical importance of AEPS will increase as the Mission approaches eventual close out, and as other sources of support for program activities and administration gradually phase down. AEPS is expected to become an even more powerful tool for Mission operations as it sustains key programmatic support by FSN staff, and expands its role in analysis linked to graduation planning. The Mission envisions broadening AEPS support for overall country assessments and program analysis. Currently the Mission is planning to conduct three sector assessments in FY99 to assist with planning for graduation. The Mission is also planning to make use of AEPS resources for country studies and data collection to facilitate the design and development of post-presence mechanisms and plans for their implementation. The

broadening of the AEPS to include more program analysis and evaluation is over and above the essential annual support to program operations which is provided by funding PSCs and the prorata share of the administrative support expenses for program-funded staff. In this sense, the Mission is planning increased AEPS support towards achievement of the ultimate objective of leading the country towards sustainability and graduation.

II. Project 180-0004.11, "CEE Environmental Economics and Policy Program"

The Cooperative Agreement for this activity between USAID and the Harvard Institute for International Development (HIID) expired on 9/30/98 and was not extended. Keeping in mind the short time horizon of the activity, during FY97 USAID/Bulgaria consulted with HIID and ENI/EEUD and decided to shift this activity from *SO 1.3 (IR 1.3.1a) to SO 4.2*. Certain possibilities for environmental policy work have been preserved under the CAER IQC scope for Bulgaria managed by S.O. 1.4.

III. Project 180-0045.01, "Technical Training for Societies in Transition (TRANSIT)"

USAID/Bulgaria's participant training is conducted under TRANSIT-Europe (originally called the Participant Training Project for Europe), which is funded by USAID through the G Bureau Global Training for Development (GTD) contract. The contractor, World Learning, normally maintains a fully staffed office in Sofia. However, the program is currently in flux due to the recent resignation of the highly experienced and proactive Country Director. Participant training is a powerful tool for the SO teams in consolidating and focussing human capacity to achieve intermediate results. USAID/Bulgaria programs as much training as the core SO teams can effectively utilize. The Participant Training project of USAID/Bulgaria is a truly crosscutting activity that serves all SOs on the basis of results-oriented training requests.

A. Performance Analysis

1. Summary Performance Statement

In the course of three years, Bulgaria has developed highly refined training procedures that are used to ensure that each activity clearly and directly supports one or more strategic objectives of the country program. The Bulgaria participant training program has been recognized as a leader in reengineered training in the region, and has often been referred to for best practices and procedural guidance. The country program has also been assigned regional responsibilities on a number of occasions. A recent example is the regional Women Entrepreneurs' Business Networking Program which was announced by the First Lady during her visit to Bulgaria in October 1998. This program is managed by the Bulgaria Mission and contractor training office in coordination with ENI. The Mission believes that Bulgaria may successfully become the Regional and Third Country training center for CEE.

2. Performance over the Past Year Relative to Plans

On the implementation side, the FY98 program has mainly impacted the strategic areas aiming at a more competitive and market responsive private financial sector (SO1.4), the creation of a competitive environment to stimulate growth of private firms (SO1.3), increasing citizens participation (SO2.1) and improving local governments (SO2.3). This has been achieved through developing the human capacity of the Bulgarian Securities and Stock Exchange Commission, the banking sector regulation and supervision institutions, professional business associations, intellectual property rights enforcement agencies, as well as media and municipal associations.

B. Anticipated Progress through FY 2001, Plans, and Possible Adjustments to Increase Impact

The Mission expects that this activity will continue to be important for all SO teams by providing valuable professional training and by catalyzing processes and relationships. The nature of the activity and the processes of requesting and designing training allow for it to become a focal point for creating synergy mechanisms and possibilities for cross-fertilization across SOs. However, this depends largely on preserving a strong and viable training team, including pro-active contractor leadership.

The FY99 Bulgaria Training Plan provides support to all activities under the main Strategic Objectives. In addition, the activity will be broadened in FY99-FY00 to cover a certain type of specialized entrepreneurial training in order to replace the closed-down EMED activity (Entrepreneurial Management and Executive Development).

As the participant training activity is expected to be shifted to Global Bureau in FY 2000, USAID/Bulgaria anticipates exercising the two option years for the TRANSIT contract, thus benefiting from current arrangements until FY01. As Bulgaria moves towards graduation, the Mission will have to ensure that the necessary human resources are in place to provide sustainability of the country program results. The Mission is particularly interested in Third Country Training as a vehicle for strengthening ties between the countries in the region. With the phasing-out of the Northern Tier missions, USAID/Bulgaria and AID/W have been analyzing the potential cost-savings and synergy benefits of transferring the responsibilities of the Regional Office and Third Country Training Center for TRANSIT for CEE to Bulgaria. If a decision is made to transfer the Regional Office to Bulgaria in FY 2000, an expatriate Regional Training Coordinator will be recruited to replace the recently departed Country Director, and a local hire Third Country Training Officer will be hired. If the Regional Office is not moved, WL and USAID/Bulgaria will recruit a new expatriate Country Director to sustain the high quality of this vital program.

IV. Project 180-0021.08, "American Center for International Labor Solidarity"

USAID/Bulgaria decided to move the American Center for International Labor Solidarity (ACILS) activity from SO 4.1 Special Initiatives, to this SO for Cross-cutting Programs as a consequence of a general change in ACILS approach to their work with the Mission and the other USAID activities. With the arrival of the new ACILS Country Director in November 1998, ACILS/Bulgaria undertook major steps to promote this activity as a truly cross-cutting, synergistic element of USAID's portfolio. Currently, ACILS coordinates efforts and joint activities with other USAID/Bulgaria programs from all across the SO spectrum. Positioned in a new way, the activity has real potential to fill a need in the labor force management and support area, but requires more time to become well-functioning and sustainable.

The current ACILS work plan stipulates that the present ACILS U.S. advisor work on a close-out plan during the period of his stay, through December 1999. However, in view of the new and important cross-cutting role that ACILS is beginning to fill in the Mission portfolio, USAID now plans to extend the U.S. advisor's term for another 2 years in order to facilitate the synergy from this activity. Current signals from ACILS suggest that this would not be a problem, if requested. These plans have also led the Mission to reconsider the planned FY00 and 01 country budgets for ACILS.

PART III, Section 1

RESOURCE REQUEST BY STRATEGIC OBJECTIVE

USAID/Bulgaria requests \$29 million for FY 2000 and \$20 million for 2001, and is well-positioned to make highly effective use of these funds. The Mission considers these levels to be essential to the achievement of its objectives. USAID/Bulgaria plans to sustain its engagement in most of its current areas of activity through 2001, albeit at declining levels, and to undertake initiatives in a few key areas in response to the country's evolving needs.

This resource request is based on the following key factors:

- Overall prospects for continued strong program performance are excellent, and the proposed program plans for FY 2000 and 2001 are carefully designed to advance the country strategy, and to respond to critical areas of need in Bulgaria's reform process;
- In spite of the encouraging progress of the country, Bulgaria still has a long way to go with political and economic reforms in order to meet the criteria for EU accession. U.S. sustained commitment after 2001 is critical for the achievement of sustainable results;
- Latest developments in the region further increase the importance of the country as an anchor of stability in the Balkans, and the strong U.S. national interest in ensuring adequate resources for the country's development.

The following narrative summarizes the use of funds by SO. Budget spreadsheets are attached in Annex 1.

SO 1.3 Resource Request

Achievements under SO 1.3 were exemplary in FY 98. Based upon strong performance, a record of success at policy and technical levels, and strong counterpart relations, the Mission will continue in its leadership role promoting SME competitiveness and growth. Consistent with its private sector strategy, USAID/Bulgaria has increased assistance for legal, regulatory and policy-related initiatives through trade and business associations. Direct firm level assistance will continue, albeit at decreasing levels.

Legal/regulatory/policy initiatives will be advanced under the successful ABA/CEELI and IPC programs, cornerstones of SO 1.3. Based upon need and strong performance, requested funding for CEELI and IPC increases to \$750,000 each in FY00 and FY01. At this level, CEELI will add a much-needed third liaison. The FLAG consortium will continue supporting SME-related tasks and activities. The process of reducing the number of FLAG member organizations because of strategic reorientation, need and cost, will continue. Funding will trend correspondingly lower, with \$3.4 MM requested in FY 00 and \$1.9 MM in 01. USAID will continue to support the Agency for Economic Analysis and Forecasting, central to improving the Government's economic forecasting and modeling capabilities. Funding for this activity, implemented by HIID under the CAER II project, will be \$200,000 annually through FY 01.

Building on the two extremely successful energy efficiency pilot projects, the Mission is pursuing a follow-on activity named the *Municipal Energy Efficiency Initiative*. This initiative requires a total of \$2.5 million for technical assistance and a Development Credit Authority. A portion of the total will be secured from carryover and de-ob/reob funds, \$500,000 FY 99 and FY 2000 performance funds, and a total of \$1.25 million and \$750,000 requested in FY 00 and 01 respectively.

Recognizing the important economic role microenterprises play, USAID/Bulgaria is initiating a program that will increase financial intermediation and mobilize resources towards this sector. Two million USD is allocated for microfinance activities over a 3-year period. This will be initiated with \$250,00 in FY 99, and \$1 MM and \$750,000 are requested in FY 00 and 01 respectively.

SO 1.4 Resource request

Given the critical importance of banking sector stabilization and restructuring, public and private pension reform, and the development of Bulgaria's capital markets as a source of equity finance, USAID support in these three areas must be maintained.

The follow-on eighteen-month bank privatization activity, awarded in early 1999, will conclude in June 2000. In early 1999 USAID/Bulgaria also tendered for follow-on work in bank supervision under the G Bureau SEGIR mechanism. The award includes ongoing assistance in on-site supervision, and adjunct assistance to the newly created Deposit Insurance Fund. This activity is critical to restoring confidence in the banking system. Consequently, \$2.2 MM is requested in FY 00 and \$1.25 MM in FY 01. Establishing and institutionalizing a commercial banker-training program is a longer-term undertaking. After a promising start in 1998, funds amounting to \$450,000 in FY 00 and \$130,000 in FY 01 are requested.

USAID/Bulgaria initiated new Capital Markets activities in FY 98, and support will be maintained through FY 2001. Funds amounting to \$2,150,000 in FY 00 and \$1,200,000 in FY 01 are requested for ongoing assistance to the core capital markets institutions: stock exchange, the Bulgarian Securities and Stock Exchanges Commission (BSSEC), central depository and broker/dealer association.

Upon GOB request, USAID launched a private pension reform project in late 1998. Subsequently, the Government accelerated the process of broadscale public pension reform and requested additional USAID support. The combined effort is significant and requires substantial investment of time and effort. An additional \$2.4 MM is requested to complete the three-year effort, with \$1.6 MM required in FY 00 and \$800,000 required in FY 01. USAID is currently the only donor positioned to provide technical assistance in this socially and economically important area. Of the total, \$500,000 in performance funds has been allocated to this activity.

SO 2.1 Resource Request

USAID is the largest donor to the non-governmental sector in Bulgaria. U.S. assistance is centered around the creation of ISOs that will support indigenous civil society organizations when foreign donors leave the country. Building ISOs will take longer than initially planned. Thus, it is crucial that USAID resources are kept at a significant level for the next 3-4 years in order to ensure the growth and momentum of the sector, and establish a sound basis for sustainability.

The Democracy Network Program II (DNP II), the cornerstone for the SO, was launched in late FY 98 with an obligation of \$1,041,000. The current award to the Institute for Sustainable Communities amounts to \$6 million over a 4-year period, the mortgage for which will be paid out in FY 99 and FY 00 at approximately \$2,500,000 level in each year.

However, an additional \$1 million is allocated in FY 01, because of the expectation that it will be necessary to continue the support beyond 2002. USAID/Bulgaria will continue to benefit from the NGO legal reform activities provided by ICNL under their current CA. The activity is straight-lined at \$120,000 a year for the next 3 years.

The anti-corruption program, implemented by the International Development Law Institute, was initiated in FY 98 as a 3-year, \$1.85 MM endeavor. The complexity of the issue and the importance of the program for the development of the country, as well as its crosscutting nature, demand continued assistance in FY 01, and an additional \$750,000 has been allocated.

Building on the positive developments in the media sector in 1998, USAID is broadening the scope of the Professional Media Program to provide support to the newly emerging private TV sector, while continuing its work on the other components of the program. The Mission sees the need to invest an additional \$600,000 in FY 2000 and 2001, thus contributing to the free flow and availability of information, and the strengthening of media associations.

A small but extremely important Parliamentary Internship Program will begin later this FY. This is a two-year program with total funding of \$150,000 through FY 99. Subject to its success, the Mission foresees the need for an additional \$130,000 in FYs 2000 and 2001. Parliamentary support may be further provided under a grant to an NGO, straight-lined at \$100,000 a year for the period FY 99 – FY 01.

SO 2.2. Resource Request

This Strategic Objective is a cornerstone of the Mission strategy over the next several years, and is central to initiatives in both the democracy and governance and private sector strategic objectives. Achievements in the judicial reform area are among the critical EU-accession criteria for Bulgaria. Efforts under SO 2.2 require substantial funding in order to launch and implement a program that will be the basis for a long-term sustainable program for improving the judicial system that may continue beyond the anticipated completion date of FY 2002.

USAID/Bulgaria will achieve the objective by a two-fold implementation mechanism – a direct grant for building the institutional capacity of the Bulgarian Magistrate Training Institute (MTI), and a second element related to judicial training and court administration. The grant component will exceed \$1 million. Estimates provide for support to the MTI amounting to \$300,000 a year in FY 99 and FY 2000, and gradually decreasing thereafter. It is assumed that the GOB will begin covering part of the operating expenses of the institute at the end of the third year. The judicial training and administration component is envisioned as a long-term effort for which over \$7 million is allocated over a 3 year timeframe, including \$2,475,000 in carryover funds from FY 98.

SO 2.3. Resource Request

Strengthening local government has been a key pillar of the country program since 1995. With the maturity of USAID/Bulgaria's portfolio, this SO is becoming even more important for the synergistic opportunities it provides. Its successful implementation requires significant funding over a period of 2-3 years. The mission will allocate additional resources that will contribute to increased integration with other strategic objectives.

The key implementing instrument under SO 2.3 will continue to be the Local Government Initiative contract, which was awarded in FY 98. The mortgage under the contract is \$4,725,000, and will be funded over the next 3 FYs. Fiscal decentralization is another major area of involvement for which \$1,700,000 will be obligated over the period FY 99 – FY 01. Municipal association development will continue to be a priority for the mission. Support to the two national ISOs, NARMB and the FLGR, will further complement the efforts. An estimated level of funding for these entities is approximately \$1,000,000 per year through FY 01. With the approaching close out date, and the need to invest in strengthening the ISOs, this level might need to be increased.

The Technical Twinning Program, implemented by ICMA in partnership with the FLGR, has brought positive changes in municipal management and economic development. The effective relationships established between the cities are viewed as a potential post-presence mechanism. In view of that, the Mission is continuing to fund the twinning effort for another three years, beginning in FY 1999 and providing \$500,000 annually.

Economic development and employment generation will continue to be major issues, both in the political arena, and as a municipal need. The PLEDGE program is envisioned as a strong tool to provide support in that area. Initiated as a 2-year IAA with the DOL for \$1,300,000, the mission is allocating an additional \$400,000 a year to this program in FY 00 and FY 01.

SO 4.1 Resource request

A substantial increase in the funding for this SO is envisioned in FY 00 and FY 01. A major new activity to be launched later in FY 99 is the Presidential Internet Initiative. Current budget allocations provide \$1,200,000 for the program, including \$ 1million in performance funds in FY 99 and 2000. Performance funds may be requested to further support this effort in FY 2000/01.

The GEF initiated in FY 95 has finally made significant progress, and USAID is playing a leadership role in this sector. Given these positive developments and the GOB's interest in continuing the cooperation with USAID, the mission is planning the development of a follow-on environmental activity for which a total of \$1,000,000 is allocated in FY 00 and FY 01.

USAID will continue to cooperate with the GOB in providing assistance to the Ministry of Finance and the Bulgarian National Bank in debt management. Funding for this activity, through the U.S. Department of the Treasury will be \$1,000,000 for two years. This will provide for a full time resident advisor to continue to assist the GOB for another 2 years starting in FY 00.

The Peace Corps SPA activity will be straight-lined at \$100,00 for FY 99 through FY 2001.

SO 4.2 Resource Request

Given the crosscutting nature of the TRANSIT program, the Mission's principle vehicle for providing U.S.-based training, and its importance to the country program, it will be funded at \$1.4 million in FY 00 and \$1.2 million in FY 01. The increase of the planned budget in FY 00 for the activity is justified by the growing importance of the activity for all SOs; by its

synergistic potential; and by the potential regional importance of the Bulgaria participant training project.

ACILS' budget will be \$400,000 and \$350,000 in FY 00 and FY 01 respectively, in order to assume an expanded role as an exemplary crosscutting and synergistic activity.

Increased funding for AE&PS is planned in FY 00 and FY 01. Going from \$500,000 in FY 99, to \$600,000 in FYs 00 and 01 will allow the mission to use this flexible tool in funding assessments, evaluations and other activities related to graduation.

PART III, Section 2

WORKFORCE AND OPERATING EXPENSES NARRATIVE

USAID/Bulgaria program portfolio will remain large and active through 2001. We will require a full staff compliment, and no reduction in the work force levels for the period 1999-2001. After a careful overall review of the USAID/Bulgaria Mission workforce requirements, we have found it necessary to request an additional FSN position to reinforce our vital Program office, with the anticipation to have the new employee on board in the last quarter of FY 1999. In FY 2000 we plan to add one FSN program specialist to work in the Democracy/Governance office to handle expanding work in this arena. We are also requesting retention of all four USDH slots, necessitating the replacement and/or extension of tour of duty for the Chief Private Enterprise Officer in 2001.

After careful review of our OE needs, we are requesting \$860,000.00 for the FY 99 OE Budget annual level, and an increase to \$870,000.00 as our annual OE budget levels for FY 2000 and FY 2001. Per AID/W guidance, we used \$800,000.00 as the target level for FY 99, 00, 01 in the attached OE BUD tables, and the justification for higher requested levels is described in the narrative below. The Mission notes that even at the higher request levels we will remain the Mission with the most favorable OE-to-program funding ratio in the ENI Region.

FY 1999

We are continuing the process of decentralization of strategic management and the involvement of all employees in the strategic planning that started back in 1996. This a process of learning, helping, educating and supporting the development of FSN staff in order to play an integral and increasingly important role in the management of the Mission. We appreciate the importance of the strategic management dialogue and the achievement of understanding and commitment from all managers and employees, the act of empowerment, which is strengthening of individual's sense and effectiveness. Therefore, we would like to focus special attention on the human resource dimension:

- We consider the training of the employees to be of critical importance for the successful implementation of our program. This FY we would like to request a substantial increase in the training level to cover the training travel for 10 FSNs and 4 USDH. We have to point out a 75% turnover of the USDH personnel and 25% turnover of the FSN OE funded personnel in the last two years, which highlights the urgency of training the Mission staff. It is not just that well-trained and well-informed employees have a fundamental role in successful strategic management, but with the expansion of direct management responsibilities in this mission, training is acutely needed in order to address current material weaknesses in the management of the mission.
- It is also vital that we continue the intermittent Executive Officer' coverage due to extended absence of the FSN EXO through the end of the fiscal year, with the understanding of the importance of the EXO role in the human resource management, the technical integrity of the office operations and financial stability.

Other key reasons for the increase in FY 99 OE Budget requirements are indicated below:

1. Unforeseen but mandatory additional funding needs for USDH staff including: A) Educational Allowances; B) Separate Maintenance Allowance for the Mission Director's family; C) Separate Maintenance Allowance for the Private Enterprise Officer's family for a grand total of \$42K.
2. FY 1999 is the year when the Y2K contingency plans are to be implemented. Last September, USAID/Sofia office was visited by the IRM team and provided with Y2K compliance evaluation report. While the Mission hardware and software is being upgraded and replaced, and is considered to be on the USAID cutting edge, the external dependency on the national power grid without backup generator is a Y2K vulnerability. Therefore, the procurement and installation of office generator will be executed this FY in order to ensure Y2K readiness and prevent "last minute" confusion. This is a mandatory expense of \$35K, which has to be covered by the Mission OE budget.
3. We have already financed two visits of USAID/W headquarters personnel, which were necessary to support the office programs monitoring and evaluation, and for consultations and assistance in the preparations of the R4 document. We anticipate the need to finance at least one more HQ personnel visit by the end of this fiscal year.

Additional \$60K in critical OE needs above the current approved Target OE Budget level of \$800,000.00.

USAID/Bulgaria has followed USAID/W guidance and presented a base budget at the \$800,000 level provided, but the Mission considers \$860,000 to be the minimum OE budget necessary in order to manage the Mission effectively and to reduce current material weaknesses. The additional \$60,000 in requirements is explained below.

1. Funding will be required to cover Travel for Obstetrical Care in the amount of \$12K in the last Qtr. of FY 99.

The travel under obstetrical care for a pregnant USDH employee is an unforeseen expense for the FY 99 OE Budget, and must be covered under this FY OE budget level.

2. Training travel: For the reasons outlined above, the USAID/Bulgaria considers training for the staff to be absolutely essential to effective management of the Mission. Thus the Mission requires an additional \$45,000 in training funds to complete a reasonable proportion of the critical training required, bringing the total training request to \$76,000. This figure is still well below the \$98,000 in training recommended by the Mission training committee.
3. In order to have an additional FSN to support the Program Officer in this FY last Qtr. we will need an additional \$3K to cover the salary and the FSN benefits. With the departure of the FS 01 USDH program officer last fall, the FSN program officer is now carrying the workload of her former position as well as the lead Program Officer role. Given the intense workload in the program office, additional human resources are absolutely required. One additional OE funded FSN position is included in the WF tables in the "All Other" column.

FY 2000/2001

USAID/Bulgaria will require annual OE levels of \$870,000 in both FY 2000 and FY 20001, in order to ensure effective management and implementation of the substantial program planned for both years. In order to comply with USAID/W guidance, two budget levels have been presented in the attached tables – target levels of \$800,000 and request levels of \$870,000. In the narrative below, the Mission explains, on a line item basis, the differences between the two levels, and the negative consequences of remaining within the target levels.

The expectation for the above period is that Bulgaria will remain under the Currency Board introduced in 1997. In order to compensate for the negative effect of various unforeseen environmental factors like inflation, for example, and considering the previous years' practice of surveys and increases of the FSNs' salaries, Mission requests a 10 % increase for FSN salaries. Within the target level for FY 2000 under the code for the FN PSC Salaries we have included: 1) the salary of the EXO FSN which was not calculated in the FY 99 level due to the absence of the employee; 2) the salary of the new FSN position in the Program office; 3) FY 99 FSN bonus (paid out in PP 26).

Mission needs to extend the periodic support services of the Executive Officer USPSC in both FY 2000 and 2001 in order to avoid any material weaknesses until time comes when the FSN EXO is fully trained and ready to take on the full responsibility of the office. In FY 2000 we expect to replace one of the Private Enterprise Officers. In 2001 the Mission shall request extension of duty or replacement of the Chief Private Enterprise Officer.

We do not believe that it is in our best interest to have the staff training process interrupted. It is a vital factor for employee's motivation, teamwork and overall management participation in Mission' Program implementation. Therefore, the Mission has budgeted continued funding for staff training in FY 2000 and 2001, albeit at declining levels.

Technical integrity of the office operations: Mission is planning to replace one of the office vehicles bought in 1995. The Cherokee jeep is scheduled for replacement in FY 2000. Procurement of a new vehicle remains a priority in the Mission Procurement Plan. We have taken a critical look at the replacement standards, personnel safety and health, and the increase in vehicle repair maintenance costs to reach to this decision.

With the growing workload in the Democracy/Governance area, we are planning the recruitment of one additional PRM funded FSN position. The position is included in the Request WF tables under SO2. With the additional staff requested and the envisaged extension of the Mission Program close out, we need to provide adequate office space and make overdue renovations. Mission requests funds for the additional office space and renovations. This is reflected in the FY 2000/01 OE Budget Request columns.

If our OE funds are not increased in the current FY 99 and the additional two fiscal years, the results will be drastic cutoffs in operational expenses. For example, serious cuts will be sustained in: support services of the Executive Officer USPSC, field trips, training travel, USAID/W personnel visits, purchase of new office vehicle, increase in the FSN' salaries.

Projected negative impact on staff and operations as a result of disapproval of the requested levels for FY 00 and 01 is reflected in our Target and Request level below.

FY 2000

11.8 Special Personal Services Payments: USPSC salaries – Requested level: \$18K; Target level: \$12K

The lack of Executive Officer USPSC support services will result in a negative effect on human resource management and staffing activities, and the technical integration of the office operations.

Special Personal Services Payments: FSN PSC salaries – Requested level: \$127K; Target level: 115K

The difference between levels is requested to meet FSN' salaries increase adjustment of 10% under the Annual Local Compensation Plan survey. We cannot meet the expenses for the adjustment within the current approved FY 00 Target level of \$800,000.00.

21.0 Travel and transportation of persons

Site visits- HQ Personnel: Requested level: 10K; Target level: 8K.

Other Operational travel: Requested level: 30K; Target level: 20K.

We will not be able to fund the Executive Officer USPSC travel within the current target level.

23.2 Rental payments to others: Target level: 73.7K; Request level: 80K

We require expansion of the office space for the accommodation of the requested two additional FSN' positions. The increase in the office rent can not be covered within the target level of \$800,000.00.

23.3 Communications, utilities; 25.2 Other Miscellaneous Services:

We have reflected an increase of between 5 – 10% for possible adjustments in communications charges, utility charges and other miscellaneous services due to the expectation of price increases.

26.0 Supplies and materials: we have provided 10% increase of cost of gasoline.

32.0 Land and structures: Building Renovations/Alterations - Residential: Requested level: 6K; Target level: 5K

Expected residential renovation works are due to the departure of the Private Enterprise Officer. Increase requested for possible 10% adjustment in prices.

32.0 Building Renovations/Alterations – Office: Request level: 11K; Target level: 1K

Office requests overdue renovation, last renovation done in 1992. Renovation is requested, also due to extension of the office space in conjunction with recruitment of the requested two

additional FSN positions, and the expectation that the close-out of the Program will be extended.

FY 2001

11.8 Special Personal Services Payments: USPSC salaries – Requested level: 18K; Target level: \$10K

Executive Officer USPSC support services and consultations are of vital importance in the preparation of the Mission Close out Plan. We cannot meet the full level of support within the proposed target level.

Special Personal Services Payments: FSN PSC salaries – Requested level: \$140K Target level: \$127K

The difference between the target and request levels is due to expected FSN salaries adjustments, as described in the justification for FY 2000. We will not be able to meet the increase in the FSN/PSC salaries within the existing target level.

21. Travel and transportation of people:

Training travel: Requested level: \$33.8K; Target level: 30.1K

The training for the staff is a matter of utmost importance and is emphasized in the beginning of the narrative. We cannot emphasize enough the negative impact on the staff if additional funding is not received. After the increase of the FSN' staff in late 1999/early 2000, the actual training will be expected to take place in 2001.

Site visits by Headquarters Personnel: Requested level: 10K; Target level: 8K Other operational travel: Requested level: \$45K; Target level: \$35K

Both cases are similar to FY 99 and FY 2000, and have already been described above. It is essential that enough funds are provided both for HQ visits for the program implementation and the Executive Officer USPSC visits.

23.2.1 Rental payments to others: Target level: 73.7K; Request level: 80K

The case is the same as in FY 2000, and has been described in detail in the narrative above.

23.3 Communications, utilities; 25.2 Other Miscellaneous Services:

We are facing the same situation in FY 2000 OE BUD requirements. We have provided an increase of 5 – 10% for possible adjustments in communications, utility charges and other miscellaneous services due to the expectation of possible increase in costs.

33.0 Land and structures: Building Renovations/Alterations - Residential: Requested level: 6K; Target level: 7K

Expected residential renovations works for the Chief Private Enterprise Officer's residence. Increase provided for possible 10% adjustment in costs.

33.0 Building Renovations/Alterations – Office: Request level: 11K; Target level: 1K

The case is the same as in FY 2000, and has already been described in the narrative above.

ANNEX 1

**BULGARIA COUNTRY PLANNING BUDGETS - FY 99 - FY 2001
BY STRATEGIC OBJECTIVE**

Proprietary Procurement Information:

Criminal and Civil Penalties Apply for Disclosure Outside the U.S. Government

		FY 99 OYB (\$'000)	FY 00 29 mln. (\$'000)	FY01 20 mln. (\$'000)
180-0014	Privatization, Enterprise Restructuring			
.02	* Capital Markets	1,950	2,150	1,200
.04	* Banking Sector	2,100	2,650	1,380
	* Pension Reform	1,400	1,600	800
	* Macro Economic Advisory Services (HIID)	200	200	200
	PROJECT TOTAL	5,650	6,600	3,580
180-0019	Democratic Gov. & Public Admin.			
.07	* Local Government Initiative	4,350	4,100	3,900
	PROJECT TOTAL	4,350	4,100	3,900
180-0020	Rule of Law			
.02	* ABA Grant	500	750	750
	* Judicial Professional Development and Court Administration	2,000	2,000	1,000
	* Magistrate Training Institute Development	300	300	250
	PROJECT TOTAL	2,800	3,050	2,000
180-0021	Political and Social Process			
.08	* ACILS (ex-FTUI)	400	400	350
.14	* Parliamentary Assistance	100	100	100
	* Program on Public Awareness of Corruption (IDLI/TI)	700	750	750
	PROJECT TOTAL	1,200	1,250	1,200
180-0022	Independent Media			
.03	* Professional Media Program	400	400	200
	PROJECT TOTAL	400	400	200
180-0023	Technical Assistance to Enterprises			
.01	* IESC	750	500	500
.05	* MBA Enterprise Corps	250	0	0
.07	* Peace Corps (SPA)	100	100	100
.18	* IPC (G/EG buy-in)	600	750	750
.23	* Microfinance	250	1,000	750
.25	* Univ. of Delaware	1,000	1,250	500
	PROJECT TOTAL	2,950	3,600	2,600
180-0024	Restructuring Agriculture & Agribusiness			
.01	* VOCA/ACDI	1,000	1,250	500
.17	* Land O'Lakes	0	0	0
	PROJECT TOTAL	1,000	1,250	500
180-0030	Regional Energy Efficiency			

**BULGARIA COUNTRY PLANNING BUDGETS - FY 99 - FY 2001
BY STRATEGIC OBJECTIVE**

Proprietary Procurement Information:**Criminal and Civil Penalties Apply for Disclosure Outside the U.S. Government**

		FY 99 OYB (\$'000)	FY 00 29 mln. (\$'000)	FY01 20 mln. (\$'000)
.01	* Municipal Energy Efficiency	250	1,250	750
	PROJECT TOTAL	250	1,250	750
180-0032	NGO Development			
.09	* Democracy Network	2,630	2,500	1,000
.16	* NGO Legislation - ICNL	120	120	120
	* Parliamentary Internship Program	50	80	50
	PROJECT TOTAL	2,800	2,700	1,170
180-0033	Labor Market Transition (Transfer to DoL)	650	400	400
	PROJECT TOTAL	650	400	400
180-0039	Improved Public Sector Environmental Services			
	* GEF - Follow-on activities		500	500
	PROJECT TOTAL	0	500	500
180-0045	Participant Training			
.01	* TRANSIT	1,200	1,400	1,200
11	* World Learning/EMED	400	400	400
	PROJECT TOTAL	1,600	1,800	1,600
180-0249	Audit, Evaluation & Program Support			
.02	* Program Support	500	600	600
	* Performance Fund for the Presidential Initiative on Internet	400	600	200
	PROJECT TOTAL	900	1,200	800
180-xxxx	Transferred or Withheld from OYB			
	* Transfers to USIA			
	- Democracy Commission	300	250	250
	- Media training	100	50	50
	- Ron Brown Fellowships	100	100	0
	* Transfers to the Treasury			
	- Treasury Advisory Programs	100	500	500
	PROJECT TOTAL	600	900	800

TOTAL

25,150	29,000	20,000
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**BULGARIA COUNTRY PLANNING BUDGETS - FY 99 - FY 2001
BY STRATEGIC OBJECTIVE**

Proprietary Procurement Information:

Criminal and Civil Penalties Apply for Disclosure Outside the U.S. Government	FY 99 OYB (\$'000)	FY 00 29 mln. (\$'000)	FY01 20 mln. (\$'000)
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SO 1.3 Accelerated Development and Growth of Private Enterprises in a Competitive Environment

* ABA Grant	500	750	750
* Firm Level Assistance Group (FLAG)			
- IESC	750	500	500
- MBA Enterprise Corps	250	0	0
- World Learning/EMED	400	400	400
- VOCA/ACDI	1,000	1,250	500
- Land O'Lakes	0	0	0
- Univ. of Delaware	1,000	1,250	500
* Microfinance	250	1,000	750
* IPC - G/EG buy-in	600	750	750
* Energy			
- Municipal Energy Efficiency	250	1,250	750
* Macro-Economic Advisory Services	200	200	200
* Ron Brown Fellowships	100	100	0
SO 1.3 TOTAL	5,300	7,450	5,100

SO 1.4 A More Competitive and Market-Responsive Private Financial Sector

* Banking Sector	1,950	2,150	1,200
* Capital Markets	2,100	2,650	1,380
* Pension Reform (Pillars I,II, and III)	1,400	1,600	800
SO 1.4 TOTAL	5,450	6,400	3,380

SO 2.1 Increased, Better-Informed Citizens' Participation in Public Policy Decision-making

* Professional Media Program	400	400	200
* Media training (Transfer to USIA)	100	50	50
* Democracy Network	2,630	2,500	1,000
* ICNL	120	120	120
* Democracy Commission (Transfer to USIA)	300	250	250
* Anti Corruption Activity	700	750	750
* Parliamentary Internship Program	50	80	50
* Parliamentary Assistance	100	100	100
SO 2.1 TOTAL	4,400	4,250	2,520

SO 2.2 An Improved Judiciary that Better Supports Democratic Processes and

**BULGARIA COUNTRY PLANNING BUDGETS - FY 99 - FY 2001
BY STRATEGIC OBJECTIVE**

Proprietary Procurement Information:

Criminal and Civil Penalties Apply for Disclosure Outside the U.S. Governmer	FY 99 OYB (\$'000)	FY 00 29 mln. (\$'000)	FY01 20 mln. (\$'000)
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Market reforms

* Judicial Professional Development and Court Administration	2,000	2,000	1,000
* Magistrate Training Institute Development	300	300	250
SO 2.2 TOTAL	2,300	2,300	1,250

**SO 2.3 Local Governments are Making Responsive choices and Acting on them
Effectively and Accountably**

* Local Government Initiative	4,350	4,100	3,900
* Integrated Community Level Support (Transfer to DoL)	650	400	400
SO 2.3 TOTAL	5,000	4,500	4,300

SO 4.1 Special Initiatives

* Environmental activities - follow-on	0	500	500
* Bulgaria Enterprise Fund	0	0	0
* Peace Corps (SPA)	100	100	100
* Treasury Advisory Programs	100	500	500
* Presidential Initiative on Internet	400	600	200
SO 4.1 TOTAL	600	1,700	1,300

SO 4.2 Cross-Cutting Programs

* TRANSIT	1,200	1,400	1,200
* ACILS, ex-FTUI	400	400	350
* Program Evaluation and Support	500	600	600
SO 4.2 TOTAL	2,100	2,400	2,150

TOTAL			25,150	29,000	20,000
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ANNEX 2

Workforce Tables

Org End of year On-Board								Total SO/SpO	Org. Mgmt.	Fin. Mgmt	Admin. Mgmt	Con- tract	Legal	All Other	Total Mgmt.	Total Staff
FY 1999 Estimate	SO 1	SO 2	SO 3	SO 4	SO 5	SpO1	SpO2									
OE Funded: 1/																
U.S. Direct Hire	2	1						3	1						1	4
Other U.S. Citizens	0							0							0	0
FSN/TCN Direct Hire	0							0							0	0
Other FSN/TCN	1.5	1.5						3	1	0	9			1	11	14
Subtotal	3.5	2.5	0	0	0	0	0	6	2	0	9	0	0	1	12	18
Program Funded 1/																
U.S. Citizens		1						1							0	1
FSNs/TCNs	4	4						8							0	8
Subtotal	4	5	0	0	0	0	0	9	0	0	0	0	0	0	0	9
Total Direct Workforce	7.5	7.5	0	0	0	0	0	15	2	0	9	0	0	1	12	27
TAACS								0							0	0
Fellows								0							0	0
IDIs								0							0	0
Subtotal	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL WORKFORCE	7.5	7.5	0	0	0	0	0	15	2	0	9	0	0	1	12	27

Workforce Tables

	SO 1	SO 2	SO 3	SO 4	SO 5	SpO1	SpO2	Total SO/SpO	Org. Mgmt.	Fin. Mgmt	Admin. Mgmt	Con- tract	Legal	All Other	Total Mgmt.	Total Staff
FY 2000 Target																
OE Funded: 1/																
U.S. Direct Hire	2	1						3	1						1	4
Other U.S. Citizens								0							0	0
FSN/TCN Direct Hire								0							0	0
Other FSN/TCN	1.5	1.5						3	1	0	9			1	11	14
Subtotal	3.5	2.5	0	0	0	0	0	6	2	0	9	0	0	1	12	18
Program Funded 1/																
U.S. Citizens		1						1							0	1
FSNs/TCNs	4	4						8							0	8
Subtotal	4	5	0	0	0	0	0	9	0	0	0	0	0	0	1	9
Total Direct Workforce	7.5	7.5	0	0	0	0	0	15	2	0	9	0	0	1	12	27
TAACS								0							0	0
Fellows								0							0	0
IDIs								0							0	0
Subtotal	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL WORKFORCE	7.5	7.5	0	0	0	0	0	15	2	0	9	0	0	1	12	27

FY 2000 Request																
OE Funded: 1/																
U.S. Direct Hire	2	1						3	1						1	4
Other U.S. Citizens								0							0	0
FSN/TCN Direct Hire								0							0	0
Other FSN/TCN	1.5	1.5						3	1	0	9			1	11	14
Subtotal	3.5	2.5	0	0	0	0	0	6	2	0	9	0	0	1	12	18
Program Funded 1/																
U.S. Citizens		1						1							0	1
FSNs/TCNs	4	5						9		0					0	9
Subtotal	4	6	0	0	0	0	0	10	0	0	0	0	0	0	0	10
Total Direct Workforce	7.5	8.5	0	0	0	0	0	16	2	0	9	0	0	1	12	28
TAACS								0							0	0
Fellows								0							0	0
IDIs								0							0	0
Subtotal	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL WORKFORCE	7.5	8.5	0	0	0	0	0	16	2	0	9	0	0	1	12	28

1/ Excludes TAACS, Fellows, and IDIs

Workforce Tables

Org End of year On-Board								Total SO/SpO Staff	Org. Mgmt.	Fin. Mgmt	Admin. Mgmt	Con- tract	Legal	All Other	Total Mgmt.	Total Staff
FY 2001 Target	SO 1	SO 2	SO 3	SO 4	SO 5	SpO1	SpO2									
OE Funded: 1/																
U.S. Direct Hire	2	1						3	1						1	4
Other U.S. Citizens								0							0	0
FSN/TCN Direct Hire								0							0	0
Other FSN/TCN	1.5	1.5						3	1	0	9			1	11	14
Subtotal	3.5	2.5	0	0	0	0	0	6	2	0	9	0	0	1	12	18
Program Funded 1/																
U.S. Citizens		1						1							0	1
FSNs/TCNs	4	4						8							0	8
Subtotal	4	5	0	0	0	0	0	9	0	0	0	0	0	0	0	9
Total Direct Workforce	7.5	7.5	0	0	0	0	0	15	2	0	9	0	0	1	12	27
TAACS								0							0	0
Fellows								0							0	0
IDIs								0							0	0
Subtotal	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL WORKFORCE	7.5	7.5	0	0	0	0	0	15	2	0	9	0	0	1	12	27

FY 2001 Request																
OE Funded: 1/																
U.S. Direct Hire	2	1						3	1						1	4
Other U.S. Citizens								0							0	0
FSN/TCN Direct Hire								0							0	0
Other FSN/TCN	1.5	1.5						3	1	0	9			1	11	14
Subtotal	3.5	2.5	0	0	0	0	0	6	2	0	9	0	0	1	12	18
Program Funded 1/																
U.S. Citizens		1						1							0	1
FSNs/TCNs	4	5						9		0					0	9
Subtotal	4	6	0	0	0	0	0	10	0	0	0	0	0	0	0	10
Total Direct Workforce	7.5	8.5	0	0	0	0	0	16	2	0	9	0	0	1	12	28
TAACS								0							0	0
Fellows								0							0	0
IDIs								0							0	0
Subtotal	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL WORKFORCE	7.5	8.5	0	0	0	0	0	16	2	0	9	0	0	1	12	28

Operating Expenses

[illegible]

Operating Expenses

Org. Title: _____		Overseas Mission Budgets														
Org. No: _____		FY 1999 Estimate			FY 2000 Target			FY 2000 Request			FY 2001 Target			FY 2001 Request		
OC		Dollars	TF	Total	Dollars	TF	Total	Dollars	TF	Total	Dollars	TF	Total	Dollars	TF	Total
21.0	Travel and transportation of persons	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
21.0	Training Travel			32.2			39			39.7			30.1			33.8
21.0	Mandatory/Statutory Travel	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
21.0	Post Assignment Travel - to field			6.6			6			6			6			6
21.0	Assignment to Washington Travel			2.8			1.8			1.8			5			5
21.0	Home Leave Travel			0			12			12			0			0
21.0	R & R Travel			8			0			0			8			8
21.0	Education Travel			0			0			0			0			0
21.0	Evacuation Travel			4			4			4			4			4
21.0	Retirement Travel			0			0			0			0			0
21.0	Pre-Employment Invitational Travel			0			0			0			0			0
21.0	Other Mandatory/Statutory Travel			0			0			0			0			0
21.0	Operational Travel	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
21.0	Site Visits - Headquarters Personnel			10			8			10			8			10
21.0	Site Visits - Mission Personnel			3			3			3			3			3
21.0	Conferences/Seminars/Meetings/Retreats			16			20			20			20			25
21.0	Assessment Travel			0			0			0			0			0
21.0	Impact Evaluation Travel			0			0			0			0			0
21.0	Disaster Travel (to respond to specific disasters)			0			0			0			0			0
21.0	Recruitment Travel			0			0			0			0			0
21.0	Other Operational Travel			40			20			30			35			45
Subtotal OC 21.0		0	0	122.6	0	0	113.8	0	0	126.5	0	0	119.1	0	0	139.8
22.0	Transportation of things	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
22.0	Post assignment freight			15			15			15			15			15
22.0	Home Leave Freight			17			15			15			15			15
22.0	Retirement Freight			0			0			0			0			0
22.0	Transportation/Freight for Office Furniture/Equip.			1			1			1			1			1
22.0	Transportation/Freight for Res. Furniture/Equip.			1.1			1			1			1			1
Subtotal OC 22.0		0	0	34.1	0	0	32	0	0	32	0	0	32	0	0	32
23.2	Rental payments to others	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
23.2	Rental Payments to Others - Office Space			73.7			73.7			80			73.7			80
23.2	Rental Payments to Others - Warehouse Space			0			0			0			0			0
23.2	Rental Payments to Others - Residences			98			93			93			93			93
Subtotal OC 23.2		0	0	171.7	0	0	166.7	0	0	173	0	0	166.7	0	0	173
23.3	Communications, utilities, and miscellaneous charges	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
23.3	Office Utilities			0			0			0			0			0
23.3	Residential Utilities			15			15			16			15			16
23.3	Telephone Costs			15			18			19			20			21

Operating Expenses

Org. Title: _____ Org. No: _____ OC		Overseas Mission Budgets														
		FY 1999 Estimate			FY 2000 Target			FY 2000 Request			FY 2001 Target			FY 2001 Request		
		Dollars	TF	Total	Dollars	TF	Total	Dollars	TF	Total	Dollars	TF	Total	Dollars	TF	Total
23.3	ADP Software Leases			0			0			0			0			0
23.3	ADP Hardware Lease			0			0			0			0			0
23.3	Commercial Time Sharing			0			0			0			0			0
23.3	Postal Fees (Other than APO Mail)			0			0			0			0			0
23.3	Other Mail Service Costs			0			0			0			0			0
23.3	Courier Services			1			1			1			1			1
	Subtotal OC 23.3	0	0	31	0	0	34	0	0	36	0	0	36	0	0	38
24.0	Printing and Reproduction			3			4			4			4			4
	Subtotal OC 24.0	0	0	3	0	0	4	0	0	4	0	0	4	0	0	4
25.1	Advisory and assistance services	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
25.1	Studies, Analyses, & Evaluations			0			0			0			0			0
25.1	Management & Professional Support Services			0			0			0			0			0
25.1	Engineering & Technical Services			0			0			0			0			0
	Subtotal OC 25.1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
25.2	Other services	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
25.2	Office Security Guards			4			4.5			4.5			4.5			4.5
25.2	Residential Security Guard Services			0			0			0			0			0
25.2	Official Residential Expenses			0			0			0			0			0
25.2	Representation Allowances			1			1			1			1			1
25.2	Non-Federal Audits			0			0			0			0			0
25.2	Grievances/Investigations			0			0			0			0			0
25.2	Insurance and Vehicle Registration Fees			0.1			0.2			0.2			0.1			0.1
25.2	Vehicle Rental			0			0			0			0			0
25.2	Manpower Contracts			0			0			0			0			0
25.2	Records Declassification & Other Records Services			0			0			0			0			0
25.2	Recruiting activities			0			0			0			0			0
25.2	Penalty Interest Payments			0			0			0			0			0
25.2	Other Miscellaneous Services			16			20			25			20			25
25.2	Staff training contracts			8.2			10			10			10			10
25.2	ADP related contracts			8			18			18			18			18
	Subtotal OC 25.2	0	0	37.3	0	0	53.7	0	0	58.7	0	0	53.6	0	0	58.6
25.3	Purchase of goods and services from Government a	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
25.3	ICASS			170			170			170			170			170
25.3	All Other Services from Other Gov't. accounts			0			0			0			0			0
	Subtotal OC 25.3	0	0	170	0	0	170	0	0	170	0	0	170	0	0	170
25.4	Operation and maintenance of facilities	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
25.4	Office building Maintenance			0.5			1			1			1			1
25.4	Residential Building Maintenance			0			0			1			0			0
	Subtotal OC 25.4	0	0	0.5	0	0	1	0	0	2	0	0	1	0	0	1

Operating Expenses

Org. Title: _____ Org. No: _____ OC		Overseas Mission Budgets														
		FY 1999 Estimate			FY 2000 Target			FY 2000 Request			FY 2001 Target			FY 2001 Request		
		Dollars	TF	Total	Dollars	TF	Total	Dollars	TF	Total	Dollars	TF	Total	Dollars	TF	Total
25.7	Operation/maintenance of equipment & storage of	Do not enter data on this line		Do not enter data on this line		Do not enter data on this line		Do not enter data on this line		Do not enter data on this line		Do not enter data on this line				
25.7	ADP and telephone operation and maintenance costs			0			0			0			0			0
25.7	Storage Services			0			0			0			0			0
25.7	Office Furniture/Equip. Repair and Maintenance			3.2			4			4			4			4
25.7	Vehicle Repair and Maintenance			2			2			2.5			3			3.5
25.7	Residential Furniture/Equip. Repair and Maintenance			0			0			0			0			0
	Subtotal OC 25.7	0	0	5.2	0	0	6	0	0	6.5	0	0	7	0	0	7.5
25.8	Subsistence & spt. of persons (by contract or Gov't.)			0			0			0			0			0
	Subtotal OC 25.8	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
26.0	Supplies and materials			12			12			14.5			12			14.5
	Subtotal OC 26.0	0	0	12	0	0	12	0	0	14.5	0	0	12	0	0	14.5
31.0	Equipment	Do not enter data on this line		Do not enter data on this line		Do not enter data on this line		Do not enter data on this line		Do not enter data on this line		Do not enter data on this line				
31.0	Purchase of Residential Furniture/Equip.			0			0			0			0			0
31.0	Purchase of Office Furniture/Equip.			35			1			1			6			6
31.0	Purchase of Vehicles			0			30			30			0			0
31.0	Purchase of Printing/Graphics Equipment			0			0			0			0			0
31.0	ADP Hardware purchases			0			8			18			18			18
31.0	ADP Software purchases			0			0			0			0			0
	Subtotal OC 31.0	0	0	35	0	0	39	0	0	49	0	0	24	0	0	24
32.0	Lands and structures	Do not enter data on this line		Do not enter data on this line		Do not enter data on this line		Do not enter data on this line		Do not enter data on this line		Do not enter data on this line				
32.0	Purchase of Land & Buildings (& bldg. construction)			0			0			0			0			0
32.0	Purchase of fixed equipment for buildings			0			0			0			0			0
32.0	Building Renovations/Alterations - Office			1			1			11			1			11
32.0	Building Renovations/Alterations - Residential			10			5			6			6			7
	Subtotal OC 32.0	0	0	11	0	0	6	0	0	17	0	0	7	0	0	18
42.0	Claims and indemnities			0			0			0			0			0
	Subtotal OC 42.0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL BUDGET		0	0	800	0	0	800	0	0	870	0	0	800	0	0	870

Additional Mandatory Information

Dollars Used for Local Currency Purchases _____

Exchange Rate Used in Computations

\$1.0 BL1,800.00

\$1.0 BL1,800.00

\$1.00 BL1,800.00

** If data is shown on either of these lines, you MUST submit the form showing deposits to and withdrawals from the FSN Voluntary Separation Fund.

ENVIRONMENTAL IMPACT

There are no new activities anticipated at the time of drafting this annex which would require environmental determinations. Therefore, neither initial environmental examinations nor environmental assessments are required.

The Bureau may wish to schedule an impact evaluation of the soon-to-conclude EAPS activity which supported conversion of the fuel source for heating boilers from coal to natural gas in the city of Stara Zagora (project 180-0039.10). Similarly, the Bureau may wish to review the impact of the energy efficiency activity under which energy conserving technology was successfully introduced into two Bulgarian hospitals. This work was completed under the Energy Efficiency in CEE and the Baltics project with two Bulgarian hospitals (contract DHR-C-00-95-000-64-00).

UPDATED RESULTS FRAMEWORK

SO 1.3. Accelerated Development and Growth of Private Enterprises in a Competitive Environment

IR 1.3.1. Development of Laws, Policies, Regulations and Institutions which Enable Private Sector Growth

IR 1.3.1.1. Development of a Sound Framework for Investment in Energy Efficiency

IR 1.3.2. Private Sector Business Support Associations & Institutions Strengthened

IR 1.3.2.1. Improved Business Performance of Private Sector Association Members

IR 1.3.3. Transfer of Productive Assets to the Private Sector – NOT within the manageable interests of USAID/Bulgaria

SO 1.4. A More Competitive and Market Responsive Private Financial Sector

IR 1.4.1. A Sound, Regulated and Efficient banking System Established

IR 1.4.1.1. Increased Private Sector Participation in the Banking Sector

IR 1.4.1.2. Bank Supervision and Enforcement Capacity Strengthened

IR 1.4.1.3. Effective Bank Training Developed and Institutionalized

IR 1.4.2. A Regulated, Transparent, Liquid Securities Market Developed

IR 1.4.2.1. Securities Market Infrastructure (Institutions) Strengthened

IR 1.4.2.2. Institutional and Broad Public participation in Securities Markets Increased

IR 1.4.3. A Sound, Regulated Public and Private Pension System Established

SO 2.1. Increased, Better-Informed Citizens' Participation in Public Policy Decision-Making

Outdated Results Framework for SO2.1.:

IR 2.1.1. Strengthened Capacity of Non-Governmental Organizations

IR 2.1.1.1. Enabling Legal/Regulatory Environment for Civil Society Organization in Place

IR 2.1.1.2. Advocacy Coalitions for Participation Increased

- IR 2.1.1.3. Improved NGO operation and financial viability
- IR 2.1.1.4. Effective, Sustainable ISOs in Place

- IR 2.1.2. Independent Broadcast Media Strengthened
 - IR 2.1.2.1. Electronic Media legal/Regulatory Framework Improved
 - IR 2.1.2.2. Professionalism of Journalists Improved
 - IR 2.1.2.3. Improved Business Management of Broadcast Media
 - IR 2.1.2.4. Increased Effectiveness of Media Associations

Updated Results Framework for SO 2.1.:

- IR 2.1.1. Strengthened Capacity of Non-Governmental Organizations
 - IR 2.1.1.1. Enabling Legal/Regulatory Environment for Civil Society Organization in Place
 - IR 2.1.1.2. Advocacy Coalitions for Participation Increased
 - IR 2.1.1.3. Effective, Sustainable ISOs in Place
 - IR 2.1.1.3.1. Improved NGO Operation and Financial Viability
- IR 2.1.2. Independent Broadcast Media Strengthened
 - IR 2.1.2.1. Electronic Media legal/Regulatory Framework Improved
 - IR 2.1.2.2. Improved Professionalism of Media Outlets
 - IR 2.1.2.3. Increased Effectiveness of Media Associations

SO 2.2. An Improved Judicial System that Better Supports Democratic Processes and Market Reforms

Outdated Results Framework for SO2.2.:

- IR 2.2.1. Improved Career Benefits for the Judiciary - NOT within the manageable interests of USAID/Bulgaria
- IR 2.2.2. Improved Preparation of Law School Students for Careers in the Judiciary
- IR 2.2.3. Judicial Qualifications Enhanced through Continuing Legal Education
- IR 2.2.4. Improved Court Administration

Updated Results Framework for SO 2.2.:

- IR 2.2.1. Improved Professionalism of the Judiciary
 - IR 2.2.1.1. Judicial Training Institution Established
 - IR 2.2.1.2. Judicial Qualifications Enhanced through Continuing Legal Education
 - IR 2.2.1.3. Law Students Skills Improved during Apprenticeship Year
- IR 2.2.2. Improved Court Administration
 - IR 2.2.2.1. Model Pilot Courts Established
 - IR 2.2.2.2. Court Automation
 - IR 2.2.2.3. Court Personnel Trained in New Procedures and Responsibilities

SO 2.3. Local Governments are making Responsive Choices and acting on them Effectively and Accountably

IR 2.3.1. National Legal Framework Provides Local Governments with the Authority to Match the Responsibilities Devolved by the State and Delegated by the Citizens

IR 2.3.1.1. Increased Local Government Involvement in National Policy-Making and Legislative Processes

IR 2.3.2. Local Governments are Developing the Financial Tools, Resources, and Practices to Fulfill their Responsibilities and Improve the Local Economic Base

IR 2.3.2.1. National Policies and Practices Support Increased Fiscal Decentralization

IR 2.3.2.2. Local Government Policies and Practices Support Increased Fiscal Capacity

IR 2.3.2.3. Increase in the Reliability, Predictability and Equitability of Intergovernmental Transfers

IR 2.3.2.4. Local Government Policies and Practices Support Local and Regional Economic Development

IR 2.3.3. Local Government Competence Improved through Acquisition of Management Skills, Use of Participatory Practices, Adoption of Modern Operational Systems, and Creation of Partnerships

IR 2.3.3.1. Local Government Officials and Citizens Have Increased Skills, Knowledge and Experience in Local Self-government

IR 2.3.3.2. Local Government Officials Have more Participatory and Efficient Structures, Policies and Practices

IR 2.3.3.3. Local Governments Have Working Partnerships with Private Profit and Non-profit Organizations to Support Local and Regional Development

IR 2.3.4. Intermediate Support Organizations are a Sustainable Source of Assistance to Local Governments

IR 2.3.4.1. National and Regional Associations and Foundations are Developing Sustainable Capacity to Support Local Government

IR 2.3.4.2. Sustainable Capacity of Training Institutions Established

Global Climate Change Initiative

Under "RESULT 2: REDUCED NET GREENHOUSE GAS EMISSIONS FROM THE LAND USE/FOREST MANAGEMENT SECTOR" there is one main contributing activity funded by USAID in Bulgaria. This is the Global Environment Facility (GEF) Biodiversity Project. The major objectives of the GEF/Bulgaria Project are the development of a collaborative system of administration and management of protected areas; strengthening the biodiversity conservation institutions; development of financial mechanisms to support biodiversity conservation in the long term; provision of equipment to carry out the preceding tasks. Management and institutional strengthening are carried mainly on the local level, by providing two Bulgarian national parks (Central Balkan and Rila) with Management Plans, and park administration staff training and technical assistance. On the central level, the activity supports the National Nature Protection Service (the national body responsible for biodiversity conservation), and assists the Ministry of Environment and Waters (MoEW) in the development of major biodiversity conservation legislation.

In this respect, this USAID activity is implemented directly at the Central Balkan and Rila National Parks (Indicator 1). When the two parks Management Plans are completed (by the end of 1999), the parks' territory will eventually be counted towards Indicator 2a. However, until that happens it is suggested that this indicator is kept at a baseline of 0.

The justification for including the Central Balkan and Rila National Parks in the categories under Indicators 1 and 2a is that those two protected areas are a Category II IUCN protected areas, per the Bulgarian Protected Areas Law (PAL), Appendix 1, as adopted by the Bulgarian National Assembly on 11/03/1999.

The GEF activity is also a major source of assistance to the Bulgarian Government in the development of biodiversity legislation. Technical assistance, advice, and support for organizing public hearings have been provided by this activity for the new Bulgarian PAL. PAL is a major bill that falls under Indicator 3, as National-level legislation that "facilitates establishment and conservation of protected areas." (GEF assistance provided is reflected in numerous documents and correspondence, including the "GEF Project 3rd Annual Report" and "GEF Project 9th Quarterly Report.")

The scope of the activity also would also be reviewed under Indicator 5b for training and technical assistance to Bulgarian national (NNPS) and local (park administrations) institutions in the implementation of Indicator 3 policies (PAL). Indicator 5b should be 0 (no check marks) for 1998. Any training and TA on the PAL implementation and enforcement in 1999, however, should be reflected in the next reporting.

Under "RESULT 3: "DECREASED NET GREENHOUSE GAS EMISSIONS FROM THE ENERGY SECTOR, INDUSTRY AND URBAN AREAS", the SO 1.3 municipal energy efficiency pilot activities have also contributed to the GCI. The two pilot activities, completed this year, increased the energy efficiency of two hospitals in different municipalities. The impact of these activities on reducing the emission of greenhouse gases is shown in the Result 3 tables. A complete description of future energy efficiency activities is provided in SO 1.3.

FY 97 USAID-Sponsored Activities that Contribute to Climate Change Initiative under RESULT 2

USAID Activity name	Location			The Site and USAID's Involvement						Additional info you have (chose from the info codes below)
	Country	Region, Province, or State	Site	Principle activity(ies) (list 1 per line using the activity codes below)	Area where USAID has initiated activities (hectares) (Indicator 1)	Area where USAID has conserved carbon (hectares) (Indicator 2)				
						Predominate vegetation type (1 per line; use vegetation codes below)	Natural ecosystems (2a)	Predominate managed land type (1 per line; use managed land types below)	Managed lands (2b)	
Global Environment Facility (GEF) Biodiversity Conservation Project - Bulgaria	Bulgaria	N/A	Central Balkan National Park	1	73,261.8		0	4		
Global Environment Facility (GEF) Biodiversity Conservation Project - Bulgaria	Bulgaria	N/A	Rila National Park	1	107,923.7	?	0	4		

Indicator 3: National/sub-national policy advances in the land use/forestry sector that contribute to the preservation or increase of carbon stocks and sinks, and to the avoidance of greenhouse gas emissions

Instructions: Please report on each policy measure addressed with USAID support or as a result of USAID efforts. Check the policy steps (1, 2 and/or 3) **that have been achieved** for each policy measure and list the activity(ies) that contribute to achievement of the policy steps in the last column. Please report on other activities or policy measures not listed, if appropriate.

Unit: Number of policy steps achieved

Country: _____ Activity or Policy Measure	Scope (N or S)	Check Steps that Have Been Achieved			List Activity(ies) Contributing to Each Policy Category
		Step 1: Policy Preparation and Presentation	Step 2: <u>Policy Adoption</u>	Step 3: Implementation and Enforcement	
Facilitates improved land use planning					
Facilitates sustainable forest management					
Facilitates establishment and conservation of protected areas	N	✓	✓		Global Environmental Facility Biodiversity Project (GEF)
Improves integrated coastal management					
Decreases agricultural subsidies or other perverse fiscal incentives that hinder sustainable forest management					
Corrects protective trade policies that devalue forest resources					
Clarifies and improves land and resource tenure					
Other					
Number of points achieved per policy step		1	1		2
Total policy steps				2	

Indicator 5b. Strengthening technical capacity through workshops, research, and/or training activities

This indicator measures categories in which capacity is strengthened through training/technical assistance. Please report on each category addressed with USAID support or as a result of USAID efforts. Please check whether capacity is strengthened through training, technical assistance, or both, and list the activity(ies) that contribute(s) to each of the capacity building categories. Please report on other areas not listed, if appropriate.

Country: Bulgaria Category	Types of Support Provided		List the Activity(ies) that Contribute to Each Capacity Building Category
	Training	Technical Assistance	
Advancing improved land use planning			
Advancing sustainable forest management			
Advancing establishment and conservation of protected areas			Global Environmental Facility Biodiversity Project (GEF)
Advancing integrated coastal management			
Advancing decreases in agricultural subsidies or other perverse fiscal incentives that hinder sustainable forest management			
Advancing the correction of protective trade policies that devalue forest resources			
Advancing the clarification and improvement of land and resource tenure			
Other			
Number of categories where training and technical assistance has been provided:			1

FY 97 USAID-Sponsored Activities that Contribute to Climate Change Initiative under RESULT 3

Indicator 1: Emissions of CO₂ equivalents avoided

Instructions: For each activity contributing to this indicator, write a brief description of the activity in the first column, and write the result in whichever of the three reporting columns that corresponds to this activity. (For example, for a renewable energy activity, put the MW-h of renewable energy produced in electricity generation in column two (1a) or the BTUs of renewable energy produced in thermal combustion in column three (1a). Then put the fuel type replaced in column four (1a).) USAID/W will make the appropriate conversion into metric tonnes of CO₂ equivalents avoided.

Country: _Bulgaria_	1a. CO ₂ emissions avoided through renewable energy activities			1b. CO ₂ emissions avoided through end use energy efficiency improvements			1c. CO ₂ emissions avoided through energy efficiency improvements in generation, transmission, and distribution (including new production capacity)		
Activities: Pilot projects	MW-h produced in electricity generation	BTUs produced in thermal combustion	Fuel Type replaced ¹	MW-h saved	BTUs saved in thermal combustion	Fuel Type saved ¹	MW-h saved	BTUs saved in thermal combustion	Fuel Type saved ²
Hospital Energy Efficiency Pilots									
Gabrovo				1321		Elec			
Gabrovo				1490 tons		#6 oil			
Gabrovo				179 tons		#2 oil			
Stara Zagora				3000		Elec			
Stara Zagora				3000 tons		Mazout			
Varna				2500		Elec.			
Varna				2013 tons		Mazout			

Plovdiv

4650

Elec.

Plovdiv

1870 tons

Mazout

¹ Provide fuel type replaced/saved if known. If not, USAID/W will convert MW-h based on country's 1990 fuel mix levels.

² Provide site-specific fuel type information if known. If not, USAID/W will convert MW-h based on country's 1990 fuel mix levels.

Indicator 1: Emissions of CO₂ equivalents avoided (continued)

Instructions: For each activity contributing to this indicator, write a brief description of the activity in the first column, and write the result in whichever of the three reporting columns that corresponds to this activity. (For example, for a fuel switching activity, put the MW-h of renewable energy produced in column two (1a) or the BTUs of renewable energy produced in thermal combustion in column three (1a). Then put the fuel type replaced in column four (1a). If the activity captured methane from a landfill, put the tonnes of methane captured in column six (1e).) USAID/W will make the appropriate conversion into metric tonnes of CO₂ equivalents avoided.

Country: _____ Activities:	1d. CO ₂ emissions avoided as a result of switching to cleaner fossil fuels (including new production capacity)				1e. Tonnes of methane captured from solid waste, coal mining, sewage	1f. Tonnes of nitrous oxide emissions avoided through improved agriculture
	MW-h produced in electricity generation	BTUs produced in thermal combustion	Old Fuel Type	New Fuel Type		
District heating		300,000	coal	natural gas		

¹ Provide fuel type replaced/saved if known. If not, USAID/W will convert MW-h based on country's 1990 fuel mix levels.

² Provide site-specific fuel type information if known. If not, USAID/W will convert MW-h based on country's 1990 fuel mix levels.

Indicator 3: National/sub-national policy advances in the energy sector, industry and urban areas that contribute to the avoidance of greenhouse gas emissions.

Instructions: Please report on each policy measure addressed with USAID support or as a result of USAID efforts. Check the policy steps (1, 2 and/or 3) **that have been achieved** for each policy measure and list the activity(ies) that contribute to achievement of the policy steps in the last column. Please report on other activities or policy measures not listed, if appropriate.

Unit: Number of policy steps achieved

Country: <u>Bulgaria</u>	Scope (N or S)	Check Steps that Have Been Achieved			List Activity(ies) Contributing to Each Policy Category
		Step 1: Policy Preparation and Presentation	Step 2: <u>Policy</u> <u>Adoption</u>	Step 3: Implementation and Enforcement	
Facilitates improved demand side management or integrated resource planning					
Facilitates competitive energy markets that promote market-based energy prices, decrease fossil fuel subsidies, or allow open access to independent providers	N	X	X		
Facilitates the installation of energy efficient or other greenhouse gas reducing technologies, including improved efficiencies in industrial processes					
Facilitates the use of renewable energy technologies					
Facilitates the use of cleaner fossil fuels (cleaner coal or natural gas)					
Facilitates the introduction of cleaner modes of transportation and efficient transportation systems					
Promotes the use of cogeneration					
Other					
Number of points achieved per policy step					
Total policy steps					

Indicator 6: Institutional Capacity Strengthened**6a: Increased capacity to address global climate change issues**

Unit: Number of institutions

Country: __Bulgaria_____		Name of Associations, NGOs, or other Institutions Strengthened
Number of USAID-assisted associations, NGOs or other public and private institutions strengthened to address GCC issues		
Number of NGOs	1	Municipal energy efficiency network
Number of Private Institutions		
Number of Research/Educational Institutions		
Number of Public Institutions		
Total Number of Institutions Strengthened:	1	

6b. Strengthening technical capacity through workshops, research, and/or training activities

This indicator measures categories in which capacity is strengthened through training/technical assistance. Please report on each category addressed with USAID support or as a result of USAID efforts. Please check whether capacity is strengthened through training, technical assistance, or both, and list the activity(ies) that contribute(s) to each of the capacity building categories. Please report on other areas not listed, if appropriate.

Country: <u>Bulgaria</u>	Types of Support Provided		List the Activity(ies) that Contribute to Each Capacity Building Category
	Training	Technical Assistance	
Improved demand side management or integrated resource planning			
Competitive energy markets that promote market-based energy prices, decrease fossil fuel subsidies, or allow open access to independent providers			
Installation of energy efficient or other greenhouse gas reducing technologies, including improved efficiencies in industrial processes	X	X	Technical assistance to Municipal Energy Efficiency network
Use of renewable energy technologies			
Use of cleaner fossil fuels (cleaner coal or natural gas)			
Introduction of cleaner modes of transportation and efficient transportation systems			
Use of cogeneration			
Other			
Total number of points for Training/technical assistance			

EVALUATION AGENDA

Analyses Undertaken in 1998

In 1998 the Mission initiated three surveys in order to evaluate performance, and examine various aspects of the development and the level of sustainability of USAID-assisted actors within three core areas: business associations, non-governmental organizations and local governments.

The research method includes the use of outside and independent consultants, who conducted interviews with a statistically significant and randomly selected sample of Bulgarians from around the country. The outside consultants provided objectivity and an impartial perspective on the intrinsic viability of activities in each of the three sector areas, and conducted broad-reaching field research in order to identify and explain trends and patterns. The evaluations were comprised of observation and data collection from among USAID-supported targets or beneficiaries. This was compared and contrasted with the results of interviews conducted with control groups which were not beneficiaries of USAID programs or assistance.

The results and conclusions of these three surveys serve as valuable management tools, permitting project managers to better tailor activities responding to extant field-level needs. The surveys proved invaluable in reviewing the performance of ongoing activities, and in establishing quantitative baseline data and benchmarks at the Strategic Objective and Intermediate Result levels for activities which are being developed

The survey of business associations assessed the strengths, weaknesses and competitiveness of a sample of member-firms and USAID-supported enterprises. Research focused on major organizational structures and characteristics, institutional capacity, strategic orientation, financial sustainability, relationships with other organizations, degree of engagement in business-related advocacy at legislative and policy levels. As a part of the survey, the researchers reviewed the legislative framework affecting the private sector, and business in general, in an effort to identify any legal constraints to private sector growth and development. The conclusion is that several areas are constraints to growth, notably weaknesses in the commercial code relating to contract enforcement.

The competitiveness of the business associations' members falling within the scope of USAID assistance was assessed on the basis of their growth and export performance, profitability, human resource potential, investment activity and innovation capacity, and was compared with nation-wide data. The results indicate the sources of competitive advantage for USAID-assisted firms in comparison with other Bulgarian non-target business companies.

The survey on the NGO sector in Bulgaria studied three aspects of civil society's participation in the public policy and decision-making in the country. First, social attitudes towards the NGO sector were evaluated by assessing the degrees of public awareness and public involvement in NGO activities. A reliable benchmark of the public perception of the NGO community and its role in public policy-making was obtained through a national sociological survey of a statistically significant sample of the population. Second, a

comprehensive list of NGOs registered under the existing legislation was developed, and of these, 530 operating in USAID program areas were selected for evaluation. Based on direct interviews conducted with this sample population, the researchers identified priority issues, and assessed financial viability including the sources and composition of revenues, the competence and adequacy staff and technical resources. The researchers selected 364 NGOs as the most representative of the NGO community as a whole, and rated them according to their viability. Lastly, the researchers conducted an in-depth study of NGO reporting in print and electronic media.

The survey on the local government responsiveness, effectiveness and accountability focused on citizens' perceptions and ratings of local authorities' performance. The survey was designed to capture the impact from the specific USAID-initiatives in partner municipalities by measuring popular attitudes towards local authorities, and public participation in civic life. The survey consisted of two respondent groups from USAID-targeted and non-targeted cities. As a result, four indices were developed to measure the impact of local government initiatives. These indices relate to the priority areas: effectiveness; responsiveness; accountability; and citizens' knowledge, information and participation in local government initiatives. According to interviewees in partner and non-partner municipalities, the local governments performed were rated as "average." The survey methodology allows for comparison not only between target and non-target municipal groups on each issue, but also on progress achieved over time.

Analyses Planned for 1999:

In order to identify the most pressing areas for future USAID and donor interventions, the Mission plans to undertake comprehensive assessments of the following sectors. The focus will be on general conditions, external factors affecting development of the sector, existing opportunities and problems and needs for assistance. The sectors proposed for assessment and evaluation are:

- *Environment*

The recent change in the legal basis and the GOB's attitude to environment, conservation and preservation has inspired thought on future USAID engagement in this sector. Previously difficult relations and circumstances argued for the gradual close-out of most of USAID environmental programs. However, in light of improvement in the enabling legislation, and the change in the GOB priorities towards increased emphasis and co-operation on environmental issues, for the inclusion of environmental programs in the USAID's national portfolio will be examined.

- *Health*

Analysis of this sector will be undertaken as a result of recently passed enabling legislation which will permit deliberate address of growing problems in the health sector. Again a major focus will be on existing opportunities for engagement in developing the health sector and for achieving substantial progress in resolving complex issues associated with financing, access and quality.

- *Civil Society*

An in-depth assessment of the NGO/civil society sector is envisaged which will assess and quantify the relative maturity of civil society in Bulgaria. The study will be based on expert analysis, and will be conducted by a team of U.S. and Bulgarian specialists. The assessment will be useful in charting the directions for the DemNet II program, and promoting improved dialogue and coordination among the donors in the civil society sector.

- *Financial Markets*

A survey is planned examining financial sector performance from two distinct perspectives. One focus of analysis will be on people's confidence and trust in financial institutions, and the quality of services provided by several types of financial institutions: banks, pension funds, broker/dealers, etc. Examination of the financial sector from the perspective of the public, is invaluable in assessing confidence and trust in the institutions that are critical to economic growth and development, and which comprise a major area of USAID activities (SO 1.4).

The Mission also plans a series of analyses closely linked to development of its graduation plans for Bulgaria. This includes analysis of Bulgaria's rate of progress towards meeting the EU accession criteria, and setting of graduation targets. The Mission will also analyze potential post presence mechanisms for Bulgaria.

TITLE II PROGRAMS

Title II program resources for Bulgaria are jointly disbursed and managed by the Mission, and BHR/FFP/ER and ENI/DGSR, and were appropriated in FY 98 for the second consecutive year.

In the Spring of 1997, an International Federation of the Red Cross appeal based in part upon a UNDP report, focussed attention on poor and minority low income groups, hardest hit by Bulgaria's difficult transition to free market economy. BHR and ENI, in response to a request from USAID/Bulgaria, encouraged the non-governmental community to consider Title II programs to further assist Bulgaria overcome the emergency. The American Red Cross was already active in Bulgaria under the ENI grant noted above. ARC and CRS submitted proposals and started food distribution in December 1997. A January 1998 review mission by FFP, ENI and USAID/Bulgaria was very positive, citing rapid start-up, excellent collaboration, careful beneficiary targeting, needed commodities, well-designed and effective distribution chains, and ample goodwill. Based on this assessment and Mission support, the two FFP programs were extended until September 1999.

The Title II programs are designed to assist Bulgaria's transition to EU accession by easing the burden of structural unemployment and the effects of Bulgaria's very high adult dependency ratio in conditions of transition-related household poverty. CRS targets certain sub-groups among the long-term unemployed, while the ARC program focuses upon elderly pensioners.
